6554.0 - Household Wealth and Wealth Distribution, Australia, 2003-04

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Summary

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NOTES

ABOUT THIS PUBLICATION

This publication presents data from the Survey of Income and Housing (SIH) on estimates of household net worth, or wealth, classified by various characteristics, including summary measures of the distribution of household net worth in Australia. Classifications used to describe households include net worth quintile, income quintile, principal source of household income, family composition, tenure type and geographic location. For each category of household, estimates of the various assets and liabilities comprising net worth are provided along with estimates of household income, household size and other characteristics.

EFFECTS OF ROUNDING

Where figures have been rounded, discrepancies may occur between sums of the component items and totals. Published percentages are calculated prior to rounding of the figures and therefore some discrepancy may exist between these percentages and those that could be calculated from the rounded figures.

INQUIRIES

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Rajni Madan on Canberra (02) 6252 7457.

SUMMARY OF FINDINGS

INTRODUCTION

The economic wellbeing of individuals is largely determined by their command over economic resources. People's income and reserves of wealth provide access to many of the goods and services consumed in daily life. This publication provides indicators of the components and distribution of household net worth, or wealth.

The estimates of net worth in this publication are derived from the value of households' assets less their liabilities as collected in the 2003-04 Survey of Income and Housing (SIH).

While there may be individual ownership of assets, the benefit of asset ownership is shared at least to some extent between members of the household. Therefore this publication presents estimates of household wealth along with estimates of household income and other characteristics of households.

Further information on household income and expenditure is available from the following publications: **Household Income and Income Distribution, Australia, 2003-04** (cat. no. 6523.0) and **Household Expenditure Survey, Australia: Summary of Results, 2003-04** (cat. no. 6530.0).

The 2003-04 SIH was integrated with the 2003-04 Household Expenditure Survey (HES) and the combined data can be used to analyse relationships between household income, wealth and expenditure. Appendix 4 of this publication presents a study of the wealth and expenditure of low income households.

COMPOSITION OF WEALTH

Wealth is a net concept and measures the extent to which the value of household assets exceeds the value of their liabilities. In 2003-04, the mean value of household assets was $537,000. The corresponding value of average (mean) household liabilities was $69,000, resulting in average household net worth of $468,000 (see table 6).

Assets

70% of households own their own home outright or with a mortgage, and for many of them the dwelling in which they live is their main asset. Owner occupiers' average home value was $355,000. This represented an average value of $249,000 when averaged across all households, that is, across both owner occupiers and non-owner occupiers (see table 14). Owner occupied dwellings therefore accounted for 46% of total average household assets for all households. The average value of household contents was $47,000.

Nearly 20% of households owned property other than the dwelling in which they live, including residential and non-residential property for rent and holiday homes. The value of this property averaged $71,000 across all households and accounted for 13% of total household assets.

Balances in superannuation funds were the largest financial asset held by households, averaging $63,000 per household across all households. Nearly 75% of households had some superannuation assets, but the distribution was very asymmetrical. While the average (mean) value of superannuation for those households was $87,000, half had superannuation assets under $35,000.

In the SIH, the value of own unincorporated and incorporated businesses is measured on a net basis, that is, the value of assets less the value of liabilities. The net value of own unincorporated businesses averaged $16,000 across all households and the net value of own incorporated businesses was $23,000.

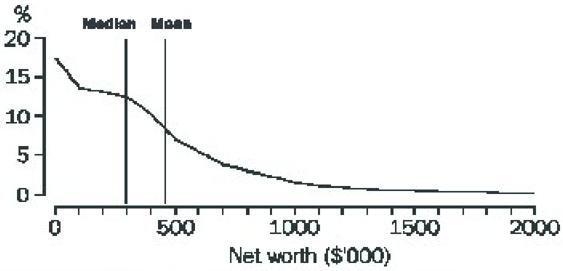
Liabilities

Loans outstanding on owner occupied dwellings were the largest household liability. They averaged $113,000 for owner occupier households with a mortgage, giving them a net value in their dwellings of $238,000. Across all households, the average value of loans outstanding on owner occupied dwellings was $40,000, or 58% of total household liabilities. Loans outstanding for other property averaged $20,000, that is, half the amount outstanding for loans on owner occupied dwellings. The principal outstanding on vehicle loans averaged $2,700 per household and average household credit card debt was $1,900.

DISTRIBUTION OF WEALTH

While the mean household net worth of all households in Australia in 2003-04 was $468,000, the median (i.e. the mid-point when all households are ranked in ascending order of net worth) was substantially lower at $295,000. This difference reflects the asymmetric distribution of wealth between households, where a relatively small proportion of households had relatively high net worth and a large number of households had relatively lower net worth. As can be seen in the following graph, 17% of households had net worth falling between -$50,000 and $50,000, of which less than 1% had negative net worth (see table 3 in the main body of the publication). Fewer and fewer households fell into each $100,000 net worth range above $50,000.

1.1 DISTRIBUTION OF HOUSEHOLD NET WORTH, 2003-04



Note: Households with net worth between -$50,000 and $2,050,000 are shown in $100,000 increments

Wealth and income

The range of wealth levels is wider than the range of income levels, as can be seen by analysing percentile ratios. For example, the value of P80 for household net worth (i.e. the level of net worth dividing the bottom 80% of all households from the top 20%) was 10.4 times higher than the P20 for household net worth (i.e. dividing the bottom 20% from the rest). The corresponding P80/P20 ratio for gross household income was 4.2. Similarly, the 20% of households comprising the lowest net worth quintile accounted for only 1.0% of total household wealth, while the 20% of households comprising the lowest gross income quintile accounted for 4.5% of total income.

1.2 SELECTED DISTRIBUTION INDICATORS, Household net worth and gross household income

		Household net worth(a)	Gross household income(a)
Ratio of values at top of selected percentiles			
P90/P10	ratio	45.06	8.50
P80/P20	ratio	10.44	4.23
P80/P50	ratio	2.23	1.85
P20/P50	ratio	0.21	0.44
Percentage share received by households in			
Lowest net worth quintile	%	1.0	12.3
Middle net worth quintile	%	12.7	18.6
Highest net worth quintile	%	59.0	30.0
Percentage share received by households in			
Lowest gross income quintile	%	12.6	4.5
Middle gross income quintile	%	16.3	16.3
Highest gross income quintile	%	36.4	45.1

(a) Quintile and percentile boundaries are derived separately for household net worth and gross household income. For information about the derivation of quintiles, percentiles and mean values for these data items, see Appendix 1.

Wealth is distributed between households somewhat differently to income. While the 20% of households comprising the lowest net worth quintile accounted for only 1% of total household net worth, they accounted for 12% of total gross household income. And the 20% of households comprising the lowest gross household income quintile accounted for 4% of total gross household income but 13% of total net worth.

The differences in the distribution of wealth and income partly reflect the common pattern of wealth being accumulated during a person's working life and then being utilised during retirement. Therefore many households with relatively low wealth have relatively high income, especially if they are younger households. Conversely older households may have accumulated relatively high net worth over their lifetimes but have relatively low income in their retirement.

Life cycle stages

A typical life cycle includes childhood, early adulthood and the forming and maturing of families, as illustrated in tables 18 and 19. Other family situations and compositions are shown in tables 16 and 17. The following table compares households in different life cycle stages.

1.3 Net worth and household characteristics for selected life cycle groups, 2003 -04

	Number of households	Average number of persons	Mean household net worth	Mean gross household income per week	Proportion owning home without a mortgage	Proportion owning home with a mortgage
	'000	no.	$'000	$	%	%
Lone person aged under 35	336	1	94	730	*3	25

Couple only, reference person aged under 35	412	2	226	1 584	3	54
Couple with dependent children only						
Eldest child aged under 5	417	3	366	1 368	7	65
Eldest child aged 5 to 14	866	4	469	1 468	13	62
Eldest child aged 15 to 24	515	4	685	1 738	27	60
Couple with						
Dependent and non-dependent children only	242	5	588	1 947	33	50
Non-dependent children only	431	3	729	1 722	51	40
Couple only, reference person aged 55 to 64	510	2	895	988	69	21
Couple only, reference person aged 65 and over	657	2	714	644	85	4
Lone person aged 65 and over	717	1	437	377	74	3
One parent, one family households with dependent children	527	3	158	760	11	29

* estimate has a relative standard error of 25% to 50% and should be used with caution

Of the groups included in the table, the group with the highest mean household net worth was couple only, reference person aged 55 to 64, with a value of $895,000. Many of the people in this group are either nearing the end of their time in the labour force or have recently retired from the labour force, that is, this age group is at the end of the main wealth accumulation period for most people. People over 65 had less net worth on average ($714,000 for couples and $437,000 for lone persons), at least partly reflecting a run-down of assets to provide consumption in retirement. These older cohorts may also have had less opportunity for capital accumulation in earlier decades, for example, because women had lower participation rates in the paid work force.

Lone persons aged under 35 had the lowest mean household net worth, at $94,000. At $226,000, the net worth of couple households with a reference person aged under 35 was somewhat more than twice the net worth of single persons in the same age group. The couple households also had slightly more than twice the level of mean gross household income ($1584 per week compared to $730 per week). The mean age of persons in both households was 28, that is, they had had the same amount of time on average to accumulate wealth.

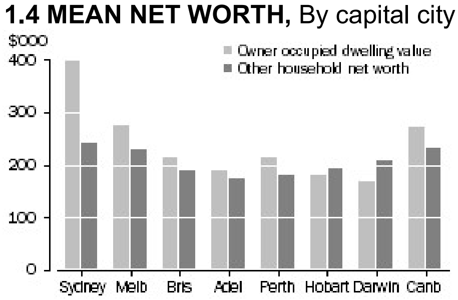
One parent, one family households with dependent children had a mean net worth of $158,000, compared to $518,000 for couple family households with dependent children (table 17). Differences in relative age did not contribute to this substantial difference in net worth, since the average age of parent was 39 years for the one parent families and 40 years for couple families. Home ownership for the one parent family households was only about half that for the couple family households (39% and 79% respectively).

States and territories

Average net worth varies between states and territories and between capital cities and elsewhere. In 2003-04, Tasmanian households recorded the lowest mean net worth at $325,000, or 31% below the average for all Australian households. Sydney households had a mean net worth of $641,000, 27% above the capital city average of $504,000 and 37% above the average of $468,000 for all Australian households. The mean net worth of $504,000 for capital city households was 24% above the mean of $405,000 for households in the remainder of Australia.

In nearly all capital cities, over half the value of average household net worth was accounted for by the value of owner occupied dwellings, as shown in the graph. There was considerably greater variation between capital cities in dwelling values than in other net worth.

1.4 MEAN NET WORTH, By capital city



The wealth and expenditure of low income households

Appendix 4 of this publication analyses the relationships between the wealth, income and expenditure of households in order to get a better understanding of the characteristics of households at the lowest end of the income distribution.

In 2003-04, average expenditure by households in the lowest income decile was higher than the average expenditure by households in the second income decile. The difference was, in part at least, because households within the lowest income decile had higher average net worth than households in the second income decile. As might be expected, the households with relatively higher net worth also had relatively higher expenditure, even when they had similar income levels. In addition, the gap between expenditure and income was markedly greater for households that owned an unincorporated business or rental property but had low income, strongly suggesting that these households had access to economic resources other than income, such as lines of credit.

Since the average level of expenditure of households in the lowest income decile was higher than that of households in the second income decile, it can be expected that the households in the lowest income decile had a higher average standard of living than the households in the second income decile.

However, it needs to be emphasised that nearly half the people living in households in the lowest income decile who did not own an unincorporated business or rental property were also in the lowest net worth quintile and had mean expenditure lower than the corresponding households in the second income decile. These people were likely to have had lower average standards of living than people in households in the second income decile. They predominantly relied on government pensions and allowances as their principal source of income and rented their dwellings. Lone person households were the most common households in this population, with over half being lone persons under 65 years of age. The next largest category was one parent families with dependent children.

It also needs to be emphasised that some households with low income that had their own unincorporated business or rental property would not have had access to other economic resources and would also have had low standards of living.

About this Release

Provides estimates of household net worth, or wealth, classified by various characteristics. Also includes summary measures of the distribution of household net worth in Australia. Classifications used to describe households include net worth quintile, income quintile, principal source of household income, family composition, tenure type, and geographic location. For each category of household, estimates of the various assets and liabilities comprising net worth are provided, along with estimates of household income, household size, and other characteristics.

Explanatory Notes

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EXPLANATORY NOTES

INTRODUCTION

1 This publication presents a summary of findings about household wealth and wealth distribution in Australia compiled from the 2003-04 Survey of Income and Housing (SIH). The survey collected detailed information about the income, assets, liabilities and household characteristics of persons aged 15 years and over resident in private dwellings throughout Australia. In this publication, net worth is used to describe the concept of wealth.

2 The statistics in this publication present a broad overview of household wealth related data items collected during the 2003-04 SIH. Emphasis has been given to highlighting the differing household net worth compositions and distributions when mean household net worth is cross-classified by various household characteristics, such as

income levels and sources, family composition of the household, geographic location and reference person characteristics. See Glossary for household and reference person definitions.

Survey of Income and Housing Issues

3 The SIH was conducted continuously from 1994-95 to 1997-98 and then in 1999-2000, 2000-01, 2002-03 and 2003-04. The 2003-04 SIH included a sample of approximately 11,000 households, which were enumerated from July 2003 to June 2004. In future, the SIH will be conducted every two years.

4 A major change for the 2003-04 SIH has been the collection of a comprehensive range of household assets and liabilities to enable analysis of net worth and its components across households.

5 The 2003-04 SIH has been integrated with the 2003-04 Household Expenditure Survey (HES). This integration has been achieved by selecting a subsample of the households in the SIH survey and asking them the additional questions required for HES purposes. Respondent burden is lower than if the two surveys were not integrated. Also, the resultant dataset is richer because HES and SIH results are more comparable than previously. This improvement is particularly important when considering the comprehensive net worth data that were collected for the first time as part of the 2003-04 SIH.

6 The methodology of the 2003-04 SIH, including the collection of household asset and liability information, is being retained for the 2005-06 SIH, except that there will be no HES subsample in 2005-06. The next HES subsample will be included in 2009-10.

7 The **Household Expenditure Survey and Survey of Income and Housing User Guide, 2003-04** (cat. no. 6503.0), describes the definitions, concepts, methodology and estimation procedures used in the Household Expenditure Survey and the Survey of Income and Housing.

CONCEPTS AND DEFINITIONS

8 The concepts and definitions relating to statistics of income and net worth are described in the following section. Other definitions are included in the Glossary.

Household

9 The household is the basic unit of analysis in this publication. This may be a group of two or more persons living in the same dwelling who make common provision for food or other essentials for living, or one person who makes provision for his/her own food or other essentials for living without combining with any other person. A group of people who make common provision for living essentials but are living in two separate dwellings are considered to be two separate households.

10 The household is adopted as the basic unit of analysis because it is assumed that sharing of the use of goods and services occurs at this level. If smaller units, say persons, are adopted, then it is difficult to know how to attribute to individual household members the use of shared items such as food, accommodation and household goods. Intra-household transfers, however, are excluded. For example, if one member of the household were to pay board to another member of the same household then this is not considered as an increase in the amount of income or housing costs of the household. If such transfers were to be included there would be double counting.

Income

11 Income refers to regular and recurring cash receipts from employment, investments and transfers from government, private institutions and other households. Gross income is the sum of the income from all these sources before income tax and the Medicare levy have been deducted.

12 Sources from which income may be received include:

- wages and salaries (whether from an employer or own corporate enterprise)
- profit/loss from own unincorporated business (including partnerships)
- investment income (interest, rent, dividends, royalties)
- government pensions and allowances

- private cash transfers (e.g. superannuation, regular workers' compensation, income from annuities and child support, and other transfers from other households).

13 Receipts which are excluded from income because they are not regular or recurring cash payments include the following:

- income in kind including employee benefits such as the provision of a house or a car and employer contributions to pension and superannuation funds - however, income in kind provided as part of a negotiated salary sacrifice arrangement can be regarded as cash or "near cash" income and included within the scope of income presented in this publication; it is estimated that about two thirds of salary sacrificed income is included in the 2003-04 SIH estimate of gross income
- capital transfers such as inheritances and legacies, maturity payments on life insurance policies, lump sum compensation for injuries or other damage
- capital gains and losses.

14 The aged persons' savings bonus and self-funded retirees' supplementary bonus, paid as part of the introduction of **A New Tax System** in 2000-01, are regarded as capital transfers as they were designed to help retired people maintain the value of their savings and investments following the introduction of the Goods and Services Tax (GST). However, the one-off payment to seniors paid in 2000-01 and the one-off payments to families and carers paid in 2003-04 are included as income as they were primarily a supplement to existing income support payments.

Equivalised disposable income

15 In most tables in this publication, gross household income (as described in the previous paragraphs) is presented along with estimates of net worth or wealth. However, when using income as an approximate means of ranking households according to the relative standards of living (as in tables 1, 10 and 11), it is more appropriate to use equivalised disposable income.

16 Equivalised disposable income is calculated by adjusting gross income in two ways. Firstly, disposable income is derived by deducting estimates of personal income tax and the Medicare levy from gross income. Disposable income better represents the economic resources available to meet the needs of households. Disposable income is then adjusted by the application of an equivalence scale to facilitate the comparison of income levels between households of differing size and composition, reflecting the requirement of a larger household to have a higher level of income to achieve the same standard of living as a smaller household. For example, it would be expected that a household comprising two people would normally need more income than a lone person household if all the people in the two households are to enjoy the same material standard of living.

17 One way of adjusting for this difference in household size might be simply to divide the income of the household by the number of people within the household so that all income is presented on a per capita basis. However, such a simple adjustment assumes that all individuals have the same resource needs if they are to enjoy the same standard of living and that there are no economies derived from living together.

18 Various calibrations, or scales, have been devised to make adjustments to the actual incomes of households in a way that recognises differences in the needs of individuals within those households and the economies that flow from sharing resources. They commonly recognise that the extra level of resources required by larger groups of people living together is not directly proportional to the number of people in the group. They also typically recognise that children have fewer needs than adults.

19 The equivalence scale used in this publication was developed for the Organisation for Economic Co-operation and Development and is referred to as the 'modified OECD' equivalence scale. It is widely accepted among Australian analysts of income distribution. This scale allocates 1.0 point for the first adult (aged 15 years or older) in a household, 0.5 for each additional adult and 0.3 for each child. Equivalised household income is derived by dividing total household income by the sum of the equivalence points allocated to household members. For example, if a household received combined gross income of $2,100 per week and comprised two adults and two children (combined household equivalence points of 2.1), the equivalised gross household income for each household member would be calculated as $1,000 per week. Where disposable income is negative, equivalised disposable income is set to zero.

20 When household income is adjusted according to an equivalence scale, the equivalised income can be viewed as an indicator of the economic resources available to a standardised household. For a lone person household, it is equal to income received. For a household comprising more than one person, equivalised income is an indicator of

the household income that would be required by a lone person household in order to enjoy the same level of economic wellbeing as the household in question. For more information on equivalised income, readers are referred to Appendix 3 in **Household Income and Income Distribution, Australia, 2003-04,** (cat. no. 6523.0).

21 While equivalised income generally provides a useful indicator of economic wellbeing, there are some circumstances which present particular difficulties. Some households report extremely low and even negative income in the SIH, which places them well below the safety net of income support provided by social security (e.g. Centrelink) pensions and allowances. Households may under-report their incomes in the SIH at all income levels, including low income households. However, households can correctly report low levels of income if they incur losses in their unincorporated business or have negative returns from their other investments.

22 Studies of income and expenditure reported in the past HES surveys have shown that households in the bottom income decile with negative gross incomes tend to have expenditure levels that are comparable to those of households with higher income levels (and slightly above the average expenditures recorded for the fifth decile). This suggests that these households have access to economic resources, such as wealth, which were not previously measured in the SIH, or that the instance of low or negative income is temporary, perhaps reflecting business or investment start up. Other households in the bottom income decile in past surveys had average incomes at about the level of the single pension rate, were predominately single person households and their principal source of income was largely government pensions and allowances. But on average, these households also had expenditures above the average of the households in the second decile, which is not inconsistent with the use of assets to maintain a higher standard of living than implied by their incomes alone. Therefore it can be reasonably concluded that most are unlikely to be suffering extremely low levels of economic wellbeing and income distribution analysis needs to take this into account if such households are included. For this reason, tables showing statistics classified by income quintile include a supplementary category comprising the second and third deciles, which can be used as an alternative to the lowest income quintile. With the 2003-04 HES, analysis of the households in the bottom decile can be improved through direct observation of the net worth of these households. A special examination of these low income households is the subject of Appendix 4 in this publication.

23 Further information on the calculation of means and quintiles for gross household income and equivalised disposable income is included in Appendix 1 of this publication.

Net worth

24 Net worth is a fairly specific way of describing the concept of wealth. The term "net worth" is used in preference to "wealth" because it more precisely reflects the nature of information captured in the SIH and presented in this publication. Net worth is calculated as the difference between the stock of household assets and the stock of household liabilities. Net worth is positive when the value of household assets is more than the household liabilities. Likewise, net worth is negative when household liabilities exceed household assets.

25 Assets can take many forms including:

- produced tangible fixed assets that are used repeatedly and for more than one year, such as dwellings and their contents, vehicles and machinery and equipment used in businesses owned by households
- intangible fixed assets such as computer software and artistic originals
- business inventories of goods
- non-produced assets such as land
- financial assets such as bank deposits, shares, superannuation account balances and the outstanding value of loans made to other households or businesses.

26 Liabilities are primarily the value of loans outstanding including:

- mortgages
- study loans
- investment loans
- credit card debts
- debt on other loans such as personal loans to purchase vehicles.

27 In the 2003-04 SIH, some asset and liability data were collected on a net basis rather than collected for each component listed above. For example, if a survey respondent owned or part owned a business, they were asked how much they would receive if they sold their share of the business and paid off any outstanding debts.

28 Outstanding loans reflect the amount owing for an asset. The equity held in an asset may increase over time as an outstanding loan amount is reduced (e.g. the value of a dwelling with relation to the loan amount outstanding on that dwelling). Where only the proportion of a loan is used for a purpose, only the proportion outstanding for this purpose is included. The proportioning of loans applies to all of the examples mentioned in this publication, particularly in the paragraphs below.

29 Value of property estimates include the value of any associated land which would be included in the sale of the dwelling if it were sold (e.g. for separate houses it includes value of land, for caravans it includes value of site if owned by the household, for farm dwellings it includes home paddock). The estimated value is reported by the household respondent.

Relationship between net worth and income

30 This publication provides information about net worth and income of households, but it would be misleading to assume that household net worth and household income have an exact positive relationship. Higher income households may have higher wealth as wealthier households have more assets to earn income and higher income households also have a higher propensity to save. However, household net worth is also dependent on other characteristics such as life cycle effects, family composition etc. The differences in the distribution of wealth and income partly reflect the common pattern of wealth being accumulated during a person's working life, and then being utilised during retirement. Therefore many households with relatively low wealth have relatively high income, especially if they are younger households. Conversely older households may have accumulated relatively high net worth over their lifetimes but have relatively low income in their retirement.

Relationship between net worth from SIH and from the Australian System of National Accounts

31 This publication contains estimates of the wealth of Australian households compiled from data collected in the SIH. The Australian System of National Accounts (ASNA) also provide estimates of the net worth of Australian households. Appendix 3 compares wealth data from the two data sets and describes and quantifies some of the major scope, definitional and methodological differences between the two.

SURVEY METHODOLOGY

Scope and coverage

32 The survey collects information by personal interview from usual residents of private dwellings in urban and rural areas of Australia, covering about 98 per cent of the people living in Australia. Private dwellings are houses, flats, home units, caravans, garages, tents and other structures that are used as places of residence at the time of interview. Long-stay caravan parks are also included. These are distinct from non-private dwellings which include hotels, boarding schools, boarding houses and institutions. Residents of non-private dwellings are excluded.

33 The survey also excludes:

- households which contain members of non-Australian defence forces stationed in Australia
- households which contain diplomatic personnel of overseas governments
- households in collection districts defined as very remote or Indigenous Communities - this has only a minor impact on aggregate estimates except in the Northern Territory where such households account for about 23% of the population.

Data collection

34 Information for each household was collected using:

- a household level computer assisted interview questionnaire which collected information on household characteristics, assets and liabilities
- an individual level computer assisted interview questionnaire which collected information on income and other personal characteristics from each usual resident aged 15 years and over.

35 Sample copies of the above documents are available upon request and are included in the **Household Expenditure Survey and Survey of Income and Housing User Guide, 2003-04** (cat. no. 6503.0).

Sample design

36 The sample was designed to produce reliable estimates for broad aggregates for households resident in private dwellings aggregated for Australia, for each state and for the capital cities in each state and territory. More detailed estimates should be used with caution, especially for Tasmania, the Northern Territory and the Australian Capital Territory.

37 The SIH sample was designed in conjunction with the HES. In the combined sample, some dwellings were selected to complete both the SIH questionnaire and the HES questionnaire, while other dwellings were selected to complete the SIH questionnaire only. Dwellings were selected through a stratified, multistage cluster design. Selected clusters were split such that approximately one third of households in the cluster received only the SIH questionnaire and two thirds of households in the cluster received both the SIH and HES questionnaires. Selections were distributed randomly across a twelve month enumeration period so that the survey results are representative of income and expenditure patterns across the year. Over the year, about 80% of persons over the age of 15 in this sample responded.

Non-responding households

38 Of the 14,545 households selected in the sample, 3,184 did not respond at all to the questionnaire, or did not respond adequately. Such households included:

- households affected by death or illness of a household member
- households in which the significant person(s) in the household did not respond because they could not be contacted, had language problems or refused to participate
- households in which the significant person(s) did not respond to key questions.

Partial response and imputation

39 Some other households did not supply all the required information but supplied sufficient information to be retained in the sample. Such partial response occurs when:

- income or other data in a questionnaire are missing from one or more non-significant person's records because they are unable or unwilling to provide the data
- all key questions are answered by the significant person(s) but other data are missing
- not every person aged 15 or over residing in the household responds but the significant person(s) provide(s) answers to all key questions.

40 In the first and second cases of partial response noted above, the data provided are retained and the missing data are imputed by replacing each missing value with a value reported by another person (referred to as the donor).

41 For the third type of partial response, the data for the persons who did respond are retained and data for each missing person are provided by imputing data values equivalent to those of a fully responding person (donor).

42 Donor records are selected by finding fully responding persons with matching information on various characteristics, such as state, sex, age, labour force status, income and expenditure, as the person with missing information. As far as possible, the imputed information is an appropriate proxy for the information that is missing. Depending on which values are to be imputed, donors are randomly chosen from the pool of individual records with complete information for the block of questions where the missing information occurs.

Final sample

43 The final sample on which estimates were based, is composed of persons for which all necessary information is available. The information may have been wholly provided at the interview (fully-responding) or may have been completed through imputation for partially responding households. Of the selected dwellings, there were 14,545 in the scope of the survey, of which 11,361 (78%) were included as part of the final estimates. The final sample consists of those 11,361 households, comprising 22,315 persons aged 15 years old and over. The final sample includes 2,812 households which had at least one imputed value in either income or assets and liabilities. Nearly 70% of these households had only a single value missing and most of these were for superannuation assets or a minor source of income for the household.

SIH FINAL SAMPLE: NUMBER OF HOUSEHOLDS, 2003-04

	CAPITAL CITY		BALANCE OF STATE		TOTAL	
	Households	Persons(a)	Households	Persons(a)	Households	Persons(a)
	no.	no.	no.	no.	no.	no.
NSW	1 537	3 131	1 093	2 117	2 630	5 248
Vic.	1 690	3 474	696	1 338	2 386	4 812
Qld	845	1 607	1 151	2 236	1 996	3 843
SA	890	1 713	367	701	1 257	2 414
WA	950	1 909	490	929	1 440	2 838
Tas.	423	811	400	739	823	1 550
NT	335	666	87	161	422	827
ACT	407	783	-	-	407	783
Aust.	**7 077**	**14 094**	**4 284**	**8 221**	**11 361**	**22 315**

- nil or rounded to zero (including null cells)
(a) Number of persons aged 15 years and over.

Weighting

44 Weighting is the process of adjusting results from a sample survey to infer results for the total in scope population whether that be persons or households. To do this, a 'weight' is allocated to each sample unit (e.g. a person or a household). The weight is a value which indicates how many population units are represented by the sample unit. The first step in calculating weights for each unit is to assign an initial weight, which is the inverse of the probability of being selected in the survey. For example, if the probability of a household being selected in the survey was 1 in 600, then the household would have an initial weight of 600 (that is, it represents 600 households).

45 The initial weights are then calibrated to align with independent estimates of the population of interest, referred to as 'benchmarks'. Weights calibrated against population benchmarks ensure that the survey estimates conform to the independently estimated distribution of the population rather than to the distribution within the sample itself.

46 The SIH survey was benchmarked to the in scope estimated resident population (ERP) and the estimated number of households in the population.

47 Three types of benchmarks are used in the calibration of the final weights:

- numbers of persons aged 15 and over
- numbers of children under age 15
- numbers of households.

48 Person benchmarks for persons aged 15 and over are estimates of the number of people in each state and territory by age and sex, the number of people in each state and the ACT by labour force status and the number of people in each state living in the capital city or the balance of the state.

49 A separate set of benchmarks is used for children under 15, since there are no individual person records for them in the survey. Information about children is recorded on household records and benchmarks for the number of children aged 0-4 and aged 5-14 are used for each state and territory.

50 Numbers of households are calibrated to benchmarks for total Australia with respect to household composition (based on the number of adults (1, 2, 3 or more) and whether or not the household contains children).

51 The person and household benchmarks are based on estimates of numbers of persons and households in Australia. The benchmarks are adjusted to include persons and households residing in private dwellings only and therefore do not, and are not intended to, match estimates of the Australian resident population published in other ABS publications.

Estimation

52 Estimates produced from the survey are usually in the form of averages (e.g. mean net worth), or counts (e.g. total number of households which own their dwelling). For counts of households, the estimate is obtained by summing the weights of all households in the required group (e.g. those owning their own dwelling). For counts of persons, the household weights are multiplied by the number of persons in the household before summing. The SIH collects data on the number of people, including children, in each household but separate records with income and

other detailed data are only collected for people 15 years and older. Therefore, counts of persons cannot be obtained by summing the weights of all persons.

53 Income tax payments were estimated for all households using taxation criteria for 2003-04 and the income and other characteristics of household members reported in the survey.

Reliability of estimates

54 The estimates provided in this publication are subject to two types of error, non-sampling and sampling error.

Non-sampling error

55 Non-sampling error can occur whether the estimates are derived from a sample or from a complete collection, such as a census. Major sources of non-sampling error include the following:

- Non-sampling error can arise through the inability to obtain data from all households included in the sample. Although adjustments are made through the weighting process to reflect the differing response rates of various groups in the population, some non-response bias may remain because of differences that exist between the characteristics of respondents and non-respondents
- There can also be errors in reporting on the part of both respondents and interviewers. Reporting errors may arise through inappropriate wording of questions, misunderstanding of what data are required, inability or unwillingness to provide accurate information, or mistakes in answers to questions
- Errors may also arise during processing of the survey data through mistakes in coding and data recording.

56 Non-sampling errors are difficult to measure in any collection. However, every effort is made to minimise these errors. In particular, the effect of the reporting and processing errors described above is minimised by careful questionnaire design, intensive training and supervision of interviewers, asking respondents to refer to records whenever possible and by extensive editing and quality control checking at all stages of data processing.

57 The following methods were adopted to reduce the level and impact of non-response:

- face-to-face interviews with respondents
- the use of interviewers who could speak languages other than English, where necessary
- follow-up of respondents if there was initially no response
- imputation of missing values
- ensuring that the weighted data is representative of the population (in terms of demographic characteristics) by aligning the estimates with population benchmarks.

Sampling error

58 The estimates are based on a sample of possible observations and are subject to sampling variability. The estimates may therefore differ from the figures that would have been produced if information had been collected for all households. A measure of the sampling error for a given estimate is provided by the standard error, which may be expressed as a percentage of the estimate (relative standard error). Further information on sampling error is given in Appendix 2 in this publication.

Comparison with other data sources

59 Appendix 3 provides a detailed comparison of the wealth data presented in this publication with the wealth data presented in the Australian System of National Accounts, describing some of the major scope, definitional and methodological differences between the two. There are less scope, definitional and methodological differences between the wealth estimates from the SIH presented in this publication and the wealth estimates produced from the 2002 wave of the Household, Income and Labour Dynamics in Australia Survey (HILDA) conducted by the Melbourne Institute of Applied Economic and Social Research (see www.melbourneinstitute.com/hilda). The two surveys were broadly consistent in their estimates of the composition and distribution of wealth.

ACKNOWLEDGMENT

60 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated; without it, the wide range of statistics

published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the **Census and Statistics Act 1905**.

SPECIAL DATA SERVICES

61 The ABS offers specialist consultancy services to assist clients with more complex statistical information needs. Clients may wish to have the unit record data analysed according to their own needs, or require tailored tables incorporating data items and populations as requested by them. Tables and other analytic outputs can be made available electronically or in printed form. However, as the level of detail or disaggregation increases with detailed requests, the number of contributors to data cells decreases. This may result in some requested information not being able to be released due to confidentiality or sampling variability constraints. All specialist consultancy services attract a service charge and clients will be provided with a quote before information is supplied. For further information, contact ABS information consultants on 1300 135 070.

UNIT RECORD FILE

62 It is expected that a basic confidentialised unit record file (CURF) from the 2003-04 SIH will be released in 2006. It is also expected that a more detailed expanded SIH CURF will be available through the ABS Remote Access Data Laboratory. A full range of up-to-date information about the availability of ABS CURFs and about applying for access to CURFs is available via the ABS web site <https://www.abs.gov.au> (see Services We Provide, Confidentialised Unit Record Files (CURFs)). Inquiries to the ABS CURF Management Unit should be emailed to: curf.management@abs.gov.au, or telephone (02) 6252 5853.

RELATED PUBLICATIONS

63 Users may wish to refer to the following ABS products which relate to wealth:

- **Household Income and Income Distribution, Australia, 2003-04** (cat.no. 6523.0)
- **Household Income and Income Distribution, Australia, Detailed Tables, 2003-04** (cat. no. 6523.0.55.001)
- **Household Expenditure Survey, Australia: Summary of Results, 2003-04** (cat.no. 6530.0)
- **Household Expenditure Survey, Australia: Detailed Expenditure Items, 2003-04** (cat. no. 6535.0)
- **Household Expenditure Survey and Survey of Income and Housing User Guide, 2003-04** (cat. no. 6535.0.55.001)
- **Working Paper in Econometrics and Applied Statistics: Experimental Estimates of the Distribution of Household Wealth, 1994-2000. Working Paper 2002/1 September 2002** (cat. no. 1351.0)
- **New Experimental Estimates of the Distribution of Australian Household Wealth (Oct, 2002)** published in **Australian Economic Indicators** (cat. no. 1350.0)
- **Measuring Wellbeing: Frameworks for Australian Social Statistics, 2001** (cat. no. 4160.0)
- **Housing Occupancy and Costs, Australia,** (cat. no. 4130.0.55.001)
- **Information Paper: Experimental Estimates of Personal Income for Small Areas, Taxation and Income Support Data, 1995-96 to 2000-01** (cat. no. 6524.0)
- **Labour Force, Australia** (cat. no. 6202.0)
- **Survey of Income and Housing Costs and Amenities: Income Units, Australia, 1990** (cat. no. 6523.0)
- **Survey of Income and Housing Costs, Australia: User Guide, 1997** (cat. no. 6553.0)
- **Measures of Australia's Progress, 2004** (cat. no. 1370.0)
- **Measures of Australia's Progress: Summary Indicators, 2005** (cat. no. 1383.0.55.001)
- **Government Benefits, Taxes and Household Income, Australia, 1998-99** (cat. no. 6537.0)

Glossary

GLOSSARY

Accounts with financial institutions

Current balances of the accounts held with banks or any other financial institutions e.g. credit unions, building societies, insurance companies, finance companies. Examples of types of accounts include: passbook, statement, cheque or term deposit accounts.

Assets

An entity of a financial or non-financial nature, owned by the household or its members, and from which economic benefits may be derived by holding or use over a period of time.

Balance of state

That part of each Australian state or territory not defined as capital city. Balance of state estimates for Northern Territory are regarded as too unreliable to publish separately since they exclude collection districts defined as very remote or Indigenous Communities which account for a significant portion of the population. All of the Australian Capital Territory is defined as capital city for this publication.

Bond

A bond is a certificate of ownership of a specified portion of a debt. May be issued by a government agency or private corporation to individuals or companies and usually bears a fixed interest rate of return on investment.

Children's assets

Any assets owned by children in the household that are not included in the value of the household contents. These assets can be financial (e.g. a child's bank accounts, assets held in trusts, bonds, debenture stock) or can be non-financial such as jewellery or property held in trust for the children.

Capital cities

Australia's six state capital city statistical divisions and the Darwin statistical division. For the Australian Capital Territory the estimates relate predominantly to urban areas.

Collection district

The Census Collection District (CD) is the smallest geographic area defined in the **Australian Standard Geographical Classification** (cat. no. 1216.0).

Contents of dwelling

This is a non-financial asset and comprises an estimated value of household contents. Examples include: clothing, jewellery, hobby collections, furniture, paintings and works of art, soft furnishings and electrical appliances other than fixtures such as stoves and built-in items.

Couple family with dependent children

One family household consisting of a couple with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals.

Couple

Two people in a registered or de facto marriage, who usually live in the same household.

Credit card debt

The amount owing on the respondent's latest credit card account statement (including any government, interest or financial institution charges), irrespective of whether it was paid off by the due date. Includes amounts owing on

specialised retail shopping cards as well as general credit cards such as Visa, Mastercard and Bankcard.

Debenture

A debenture is a formal acknowledgement of indebtedness by a company. Interest is paid by the company at specific intervals. A loan or deposit can be called a debenture if it is secured over company assets. Unlike shareholders, debenture holders have a creditor relationship with the company. Instead of dividends, debenture holders receive interest on their debentures which is accounted for by the company as an expense.

Decile

Groupings that result from ranking all households or people in the population in ascending order according to some characteristic such as their household income and then dividing the population into 10 equal groups, each comprising 10% of the estimated population.

Dependent children

All persons aged under 15 years; and people aged 15-24 years who are full-time students, have a parent in the household and do not have a partner or child of their own in the household.

Dwelling

Defined as a suite of rooms contained within a building which are self-contained and intended for long-term residential use. To be self-contained the suite of rooms must possess cooking and bathing facilities as building fixtures. Examples of types of dwelling include: separate house; semi-detached, row or terrace house or townhouse; flat, unit, or apartment; and other dwellings, including caravan, cabin, houseboat, and house or flat attached to a shop.

Disposable income

Gross income after income tax and the Medicare levy are deducted and family tax benefit paid through the tax system or as a lump sum by Centrelink is added. Income tax and the Medicare levy are imputed based on each person's income and other characteristics as reported in the survey. Family tax benefit is estimated on the basis of reductions in pay-as-you-go tax payments, as reported in the survey, or imputed on the basis of each family's income and composition. Disposable income is sometimes referred to as net income.

Employed persons

Persons aged 15 years and over who, during the week before the interview:

- worked one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (includes employees, employers and own account workers)
- worked one hour or more, without pay, in a family business or on a family farm, or
- had a job, business or farm but was not at work because of holidays, sickness or other reason.

Employee

An employed person who, for most of his/her working hours:

- works for a public or private employer and receives remuneration in wages or salary, or is paid a retainer fee by his/her employer and works on a commission basis, or works for an employer for tips, piece-rates or payment in kind, or
- operates his or her own incorporated enterprise with or without hiring employees.

Employer

A person who operates his or her own unincorporated economic enterprise or engages independently in a profession or trade, and hires one or more employees.

Equivalised disposable household income

Disposable household income adjusted using an equivalence scale. For a lone person household it is equal to disposable household income. For a household comprising more than one person, it is an indicator of the disposable household income that would need to be received by a lone person household to enjoy the same level of economic wellbeing as the household in question. For further information see Appendix 3 in **Household Income and Income Distribution, Australia, 2003-04** (cat. no. 6523.0).

Family

Two or more people, one of whom is at least 15 years of age, who are related by blood, marriage (registered or de facto), adoption, step or fostering and who usually live in the same household. A separate family is formed for each married couple, or for each set of parent-child relationships where only one parent is present.

Family composition of household

Classifies households into three broad groupings based on the number of families present (one family, multiple family and non-family). One family households are further disaggregated according to the type of family (such as couple family or one parent family) and according to whether or not dependent children are present. Non-family households are disaggregated into lone person households and group households.

Financial assets

An asset whose value arises not from its physical existence (as would a building, piece of land, or capital equipment) but from a contractual relationship. Financial assets are mostly financial claims (with the exception of shares). Financial claims entitle the owner to receive a payment, or a series of payments, from an institutional unit to which the owner has provided funds. Examples include accounts held with financial institutions, ownership of an incorporated business, debentures and bonds, trusts, superannuation funds, and loans to other persons.

Full-time student

A person 15 years or over who is classified as a full-time student by the institution they attend, or considers himself/herself to be a full-time student. Full-time study does not preclude employment.

Government pensions and allowances

Income support payments from the Australian government to persons under social security and related government programs. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students. Sometimes referred to as government benefit transfers. The one-off payment to seniors paid in 2000-01 and the one-off payments to families and carers paid in 2003-04 are included. Family tax benefit is also regarded as income, although for practical reasons family tax benefit paid through the tax system or as a lump sum by Centrelink is only included under disposable income, and not gross income. All overseas pensions and benefits are included here, although some may not be paid by overseas governments.

Gross income

Regular cash receipts before income tax or the Medicare levy are deducted.

Group household

A household consisting of two or more unrelated people where all people are aged 15 years and over. There are no reported couple relationships, parent-child relationships or other blood relationships in these households.

Household

A group of related or unrelated people who usually live in the same dwelling and make common provision for food and other essentials of living; or a lone person who makes provision for his or her own food and other essentials of living without combining with any other person.

Income

Regular and recurring cash receipts including monies received from wages and salaries, government pensions and allowances, and other regular receipts such as superannuation, workers' compensation, child support, other transfers from other households, scholarships, profit or loss from own unincorporated business or partnership and investment income. Gross income is the sum of the income from all these sources before income tax or the Medicare levy are deducted. Other measures of income are disposable income and equivalised disposable income. Note that child support and other transfers from other households are not deducted from the incomes of the households making the transfers.

Incorporated business

An incorporated business is a company that has a registered business name with the Australian Securities and Investment Commission (ASIC) and a legal status which is separate to that of the individual owners of the business.

Investment loan

A loan taken out for the purpose of financing investment, excluding loans for business purposes and rental property.

Labour force status

Classifies all people aged 15 years and over according to whether they were employed, unemployed or not in the labour force.

Landlord type

For renters, the type of entity to whom rent is paid or with whom the tenure contract or arrangement is made. Landlords belong to one of the following categories:

- state/territory housing authority - where the household pays rent to a state or territory housing authority or trust
- private landlord - where the household pays rent to a real estate agent or to another person not in the same household
- other - where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

Liability

A liability is an obligation which requires one unit (the debtor) to make a payment or a series of payments to the other unit (the creditor) in certain circumstances specified in a contract between them.

Loan

A form of liability that is created when creditors lend funds directly to debtors. Examples are an overdraft from a bank, money lent by a building society with a mortgage over a property as collateral, and personal loans.

Loans for owner occupied dwelling

Principal outstanding on loans used to purchase, build, alter, or make additions to the selected dwelling. Includes money borrowed for a deposit on the selected dwelling, and bridging finance taken out until such time as a loan or mortgage is obtained or the dwelling is bought outright. Where only a proportion of a loan is used for the owner occupied dwelling, only that proportion of the principal outstanding is included.

Lone person household

A household consisting of a person living alone.

Mean income

Mean (or average) income is the total income of a group of units divided by the number of units in the group.

Mean net worth

Mean (or average) net worth is the total net worth of a group of units divided by the number of units in the group.

Median income

That level of income which divides the units in a group into two equal parts, one half having income above the median and the other half having income below the median.

Median net worth

That level of net worth which divides the units in a group into two equal parts, one half having net worth above the median and the other half having net worth below the median.

Medicare levy

Medicare is Australia's universal health care system. For more information refer to <http://www.medicareaustralia.gov.au>

Multiple family household

A household containing two or more families. Unrelated individuals may also be present.

Negative income

Income may be negative when a loss accrues to a household. Losses can accrue to owners of unincorporated enterprises or rental properties. Losses occur when operating expenses and depreciation are greater than gross receipts.

Negative net worth

Net worth may be negative when household liabilities exceed household assets.

Net worth

Net worth represents the difference between the value of household assets (both financial and non-financial) and the value of household liabilities. Net worth is positive when the value of a household's assets exceeds the value of its liabilities. Net worth is negative when household liabilities exceed household assets. For further information refer to the Explanatory Notes.

Non-dependent children

All people aged 15 years and over who:

- do not have a spouse or offspring of their own in the household
- have a parent in the household, and
- are not full-time students aged 15-24 years.

Non-family household

Consists of unrelated people only. A non-family household can be either a person living alone or a group household.

Non-financial assets

Non-financial assets are all assets other than financial assets. Examples include residential and non-residential property, household contents and vehicles.

Not in the labour force

Persons not in the categories employed or unemployed as defined.

One family household

A household containing only one family. Unrelated individuals may also be present.

One parent family with dependent children

A one family household comprising a lone parent with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals.

Other income

Income other than wages and salaries, own business or partnership income and government pensions and allowances. This includes income received as a result of ownership of financial assets (interest, dividends), and of non-financial assets (rent, royalties) and other regular receipts from sources such as superannuation, child support, workers' compensation and scholarships. Income from rent is net of operating expenses and depreciation and may be negative when these are greater than gross receipts.

Other landlord type

Where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

Other one family household

A household comprising:

- one couple with their non-dependent children only
- one couple, with or without non-dependent children, plus other relatives
- one couple, with or without non-dependent children or other relatives, plus unrelated individuals
- a lone parent with his/her non-dependent children, with or without other relatives and unrelated individuals or
- two or more related individuals where the relationship is not a couple relationship or a parent-child relationship (e.g. two brothers).

Other property loans

Principal outstanding on loans used to purchase, build, alter, or make additions to property rented out, loans taken out by people in rental properties who are buying or building a home somewhere else, and loans taken for alterations and additions to other property. Where only a proportion of a loan is used for the property, only that proportion of the principal outstanding is included.

Other tenure type

A household which is not an owner, with or without a mortgage, or a renter. Includes rent free.

Own account worker

A person who operates his or her own unincorporated economic enterprise or engages independently in a profession or trade and hires no employees.

Own unincorporated business income

The profit/loss that accrues to persons as owners of, or partners in, unincorporated enterprises. Profit/loss consists of the value of gross output of the enterprise after the deduction of operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income.

Owner (of dwelling)

A household in which at least one member owns the dwelling. Owners are divided into two classifications - owners without a mortgage and owners with a mortgage. If there is any outstanding mortgage or loan secured against the dwelling the household is an owner with a mortgage. If there is no mortgage or loan secured against the dwelling the household is an owner without a mortgage. Owners without a mortgage can be referred to as outright owners, and owners with a mortgage as mortgagees.

Percentile

When all households or people in the population are ranked from the lowest to the highest on the basis of some characteristic such as their household income or net worth, they can then be divided into equal sized groups. Division into 100 groups gives percentiles. The highest value of the characteristic in the tenth percentile is denoted P10. The median or the top of the 50th percentile is denoted P50. P20, P80 and P90 denote the highest values in the 20th, 80th and 90th percentiles. Ratios of values at the top of selected percentiles, such as P90/P10, are often called percentile ratios. See also Percentile ratios.

Percentile ratios

Percentile ratios summarise the relative distance between two points in a distribution. To illustrate the full spread of the net worth distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P90/P10 ratio. The P80/P20 ratio better illustrates the magnitude of the range within which the net worth of the majority of households falls. The P80/P50 and P20/P50 ratios focus on comparing the ends of the income distribution with the midpoint.

Principal source of income

That source from which the most positive income is received. If total income is nil or negative the principal source is undefined. As there are several possible sources, the principal source may account for less than 50% of total income.

Private income

Regular, recurring receipts from private organisations, including superannuation, regular workers' compensation, income from annuities, interest, dividends, royalties, income from rental properties, scholarships and child support.

Property

All residential and non-residential properties owned by persons in the household, excluding properties owned by the respondent's business.

Quintiles

Groupings that result from ranking all households or people in the population in ascending order according to some characteristic such as their household income and then dividing the population into five equal groups, each comprising 20% of the estimated population.

Reference person

The reference person for each household is chosen by applying, to all household members aged 15 years and over, the selection criteria below, in the order listed, until a single appropriate reference person is identified:

- one of the partners in a registered or de facto marriage, with dependent children
- one of the partners in a registered or de facto marriage, without dependent children
- a lone parent with dependent children
- the person with the highest income
- the eldest person.

For example, in a household containing a lone parent with a non-dependent child, the one with the higher income will become the reference person. However, if both individuals have the same income, the elder will become the reference person.

Relative standard error (RSE)

The standard error expressed as a percentage of the estimate for which it was calculated. It is a measure which is independent of both the size of the sample, and the unit of measurement and as a result, can be used to compare the reliability of different estimates. The smaller an estimate's RSE, the more likely it is that the estimate is a good proxy for that which would have been obtained if the whole population had been surveyed.

Renter

A household which pays rent to reside in the dwelling. See further classification by Landlord type.

Selected dwelling

The private dwelling selected in the sample for the survey. See the Explanatory Notes for details of types of dwellings and how they are selected for this survey.

Shares

A share is a contract between the issuing company and the owner of the share which gives the latter an interest in the management of the corporation and the right to participate in profits. In this publication the "value of shares" excludes the value of shares held by individuals in their own incorporated business. Such shares are included in "value of own incorporated business".

Significant person

Significant persons are defined as follows:

- all members of a lone person or couple only household
- all parents in a couple with children household or a single parent household
- the persons aged 15 years or over in an unrelated persons household where one person is aged 15 years or over and the other members of the household are less than 15 years old
- 50% of the persons aged 15 years and over in all other households.

Standard error

A measure of the likely difference between estimates obtained in a sample survey and estimates which would have been obtained if the whole population had been surveyed. The magnitude of the standard error associated with any survey is a function of sample design, sample size and population variability.

Statistical division

The largest spatial unit within each state/territory in the main structure of the **Australian Standard Geographical Classification** (cat. no. 1216.0).

Study loans

Study loans are debts incurred under HECS (Higher Education Contribution Scheme), SFSS (Student Financial Supplement Scheme), and other government higher education schemes. A feature of these loans is that the obligation to repay them only exists when the student's income exceeds a threshold. The debt is also extinguished upon death.

Superannuation

A long-term savings arrangement which operates primarily to provide income for retirement.

Tenure type

The nature of a household's legal right to occupy the dwelling in which the household members usually reside. Tenure is determined according to whether the household owns the dwelling outright, owns the dwelling but has a mortgage or loan secured against it, is paying rent to live in the dwelling or has some other arrangement to occupy the dwelling.

Trusts

Any type of managed fund which involves the pooling of investors' money in order for a trustee or professional manager to administer that fund. Examples include listed and unlisted public unit trusts, cash management trusts and property trusts.

Unemployed persons

Persons aged 15 years and over who were not employed during the week before the interview, had actively looked for full-time or part-time work at any time in the four weeks before the interview and

- were available for work in the week before the interview, or
- were waiting to start a new job within four weeks from the interview and would have started in the week before the interview if the job had been available then.

Unincorporated business

A business in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are personally liable for any business debts that are incurred.

Vehicles

Vehicles include registered and unregistered vehicles used for private purposes including cars, trucks, buses, motorcycles, caravans, aircraft, boats and bicycles.

Vehicle loans

Principal outstanding on loans used to purchase motor vehicles. Where only a proportion of a loan is used to purchase a vehicle, only that proportion of the principal outstanding is included.

Wages and salaries

The gross cash income received as a return to labour from an employer or from a person's own incorporated business.

Wealth

See net worth.

Abbreviations

The following symbols and abbreviations are used in this publication:

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
ASNA	Australian System of National Accounts
Aust.	Australia
excl.	excluding
HES	Household Expenditure Survey
nec	not elsewhere classified
no.	number
NPISH	non-profit institutions serving households
NSW	New South Wales
NT	Northern Territory
Qld	Queensland
RSE	relative standard error
SA	South Australia
SE	standard error
SIH	Survey of Income and Housing
Tas.	Tasmania
Vic.	Victoria
WA	Western Australia

Analysing Wealth (Net Worth) Distribution (Appendix)

APPENDIX 1 ANALYSING WEALTH (NET WORTH) DISTRIBUTION

INTRODUCTION

There are several ways to illustrate aspects of the distribution of wealth and to measure the extent of inequality. In this publication, four main types of indicators used are: means and medians, frequency distributions, percentile ratios and net worth shares. This appendix describes how these indicators are derived. Wealth is measured by net worth which is the difference between the value of household assets (both financial and non-financial) and the value of household liabilities.

MEAN AND MEDIAN

Mean household net worth (total net worth divided by the number of households) and median household net worth (the midpoint when all households are ranked in ascending order of net worth) are simple indicators that can be used to show differences between subgroups of the population. Many tables in this publication include mean and median household net worth data.

The publication also includes information on mean and median household income. In most tables the income measure used is gross household income, and the means and medians are calculated with respect to the number of households. However, when the income measure used is equivalised disposable household income, mean and median income are calculated with respect to the number of persons. This enables people in large households to have the same contribution to the mean/median as people living alone, and is possible because equivalised disposable household income is an indicator of the economic resources available to each individual in a household.

FREQUENCY DISTRIBUTION

A frequency distribution can be used to illustrate the location and spread of net worth within a population. It groups the population into classes by net worth and gives the number or proportion of households in each range. A graph of the frequency distribution is a good way to portray the essence of a wealth distribution. Graph 1 in the Summary of Findings shows the proportion of households within $100,000 net worth ranges.

Frequency distributions can provide considerable detail about variations in the population being described, but it is difficult to describe the differences between two frequency distributions. They are therefore often accompanied by other summary statistics, such as the mean and median. Taken together, the mean and median can provide an indication of the shape of the frequency distribution. As can be seen in Graph 1 in the Summary of Findings, the distribution of net worth tends to be asymmetrical, with a small number of households having relatively high net worth and a larger number of households having relatively low net worth. The greater the asymmetry, the greater will be the difference between the mean and the median.

QUANTILE MEASURES

When households (or any other units) are ranked from the lowest to the highest on the basis of some characteristic such as their household wealth, they can then be divided into equally sized groups. The generic term for such groups is quantiles.

Quintiles, deciles and percentiles

When the population is divided into five equally sized groups, the quantiles are called quintiles. If there are 10 groups, they are deciles and division into 100 groups gives percentiles. Thus the first quintile will comprise the first two deciles and the first 20 percentiles.

This publication presents data classified into net worth quintiles and gross income quintiles. These quintiles each comprise the same number of households. In some tables, data presented are classified into equivalised disposable income quintiles. Because equivalised disposable income can be viewed as an indicator of the economic resources available to individuals in a household, these quintiles each comprise the same number of persons. When data are presented by equivalised disposable income quintile they are supplemented by data relating to the 2nd and 3rd deciles. These deciles are included to enable quintile style analysis to be carried out without undue impact from very low incomes which may not accurately reflect levels of economic wellbeing (see

paragraph 19 in the Explanatory Notes).

Upper values and medians

In some analyses, the statistic of interest is the boundary between quantiles. This is usually expressed in terms of the upper value of a particular percentile. For example, the upper value of the first quintile is also the upper value of the 20th percentile and is described as P20. The upper value of the ninth decile is P90. The median of a whole population is P50, the median of the 3rd quintile is also P50, the median of the first quintile is P10, etc.

Percentile ratios

Percentile ratios summarise the relative distance between two points on a distribution. To illustrate the full spread of a distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P90/P10 ratio. The P80/P20 ratio better illustrates the magnitude of the range within which the net worth of the majority of the population fall. The P80/P50 and P20/P50 ratios focus on comparing the ends of the distribution with the midpoint.

Net worth shares

Net worth shares can be calculated and compared for each quintile (or any other subgrouping) of a population. The aggregate net worth of the units in each quintile is divided by the overall aggregate net worth of the entire population to derive net worth shares.

Sampling Variability (Appendix)

APPENDIX 2 SAMPLING VARIABILITY

INTRODUCTION

The estimates in this publication are based on information obtained from the occupants of a sample of dwellings. The accuracy of the estimates refers to how close the estimates are to the true population value. The discrepancy between the value of sample estimates and the population value results from two types of errors, sampling and non-sampling errors. Paragraph 55 to 57 of the Explanatory Notes and Appendix 3 discuss non-sampling errors in the estimates while this Appendix provides more information about sampling errors (or sampling variability).

One measure of the likely difference due to sampling variability is given by the standard error (SE), which indicates the extent to which an estimate might have varied because only a sample of dwellings was included. There are about two chances in three that the sample estimate will differ by less than one SE from the figure that would have been obtained if all dwellings had been included, and about 19 chances in 20 that the difference will be less than two SEs. Another measure of the likely difference is the relative standard error (RSE), which is obtained by expressing the SE as a percentage of the estimate.

For estimates of population sizes, the size of the SE generally increases with the level of the estimate, so that the larger the estimate the larger the SE. However, the larger the sampling estimate the smaller the SE in percentage terms (RSE). Thus, larger sample estimates will be relatively more reliable than smaller estimates.

In the tables in this publication, estimates with RSEs of 25% or more are considered unreliable for most purposes. Estimates with RSEs greater than 25% but less than or equal to 50% are annotated by an asterisk to indicate they are subject to high SEs and should be used with caution. Estimates with RSEs of greater than 50%, annotated by a double asterisk, are considered too unreliable for general use and should only be used to aggregate with other estimates to provide derived estimates with RSEs of 25% or less.

Space does not allow for the separate indication of the SE of all the estimates in this publication. RSEs for all tables are provided on the ABS web site in an excel spreadsheet <https://www.abs.gov.au> (see Statistics: Access to all ABS products and statistics, by Catalogue Number 65. Consumer income and expenditure, **Household Wealth and Wealth Distribution, Australia,** cat.no. 6554.0). The RSEs have been derived using the group jackknife method.

RSES OF COMPARATIVE ESTIMATES

Proportions and percentages

Proportions and percentages, which are formed from the ratio of two estimates, are also subject to sampling errors. The size of the error depends on the accuracy of both the numerator and the denominator. For proportions where the denominator is an estimate of the number of households in a grouping and the numerator is the number of households in a sub-group of the denominator group, the formula for the RSE is given by

$$RSE\%\left(\frac{x}{y}\right) = \sqrt{[RSE\%(x)]^2 - [RSE\%(y)]^2}$$

Differences between estimates

The difference between survey estimates is also subject to sampling variability. An approximate SE of the difference between two estimates (x-y) may be calculated by the formula:

$$SE(x-y) = \sqrt{[SE(x)]^2 + [SE(y)]^2}$$

This approximation can generally be used whenever the estimates come from different samples, such as two estimates from different years or two estimates for two non-intersecting subpopulations in the one year. If the estimates come from two populations, one of which is a subpopulation of the other, the standard error is likely to be lower than that derived from this approximation, but there is no straightforward way of estimating how much lower.

Comparison of Wealth between SIH and the Australian System of National Accounts (Appendix)

APPENDIX 3 COMPARISON OF WEALTH BETWEEN SIH AND THE AUSTRALIAN SYSTEM OF NATIONAL ACCOUNTS

INTRODUCTION

This publication contains estimates of the wealth of Australian households compiled from data collected in the 2003-04 Survey of Income and Housing (SIH). The Australian System of National Accounts (ASNA) also provides estimates of the wealth of Australian households. This appendix compares wealth data from the two data sets and describes and quantifies some of the major scope, definitional and methodological differences between the two.

The concepts of wealth used in the two data sets have much in common, although there are also substantial differences. There are also differences in the definition of the household sector covered by each data set, and in the methodologies and data sources used to compile the estimates.

As the SIH and ASNA estimates of household wealth have been developed for different purposes using different data sources, they have different strengths and weaknesses. The SIH data are collected from individual households via a single collection and can be used to analyse the distribution of wealth across the population and to compare levels of wealth between various population subgroups. The ASNA data are collected from many sources, most of which do not provide information for different population subgroups within the household sector. However, the ASNA data provide a comprehensive picture of the household sector as a whole, presented within a national accounting framework. The data therefore show how the household sector relates to the corporate and government sectors in Australia and to the rest of the world. Details are available in **Australian National Accounts: Concepts, Sources and Methods** (cat. no. 5216.0).

Sources of error

Both data sets are subject to error. As discussed in the Explanatory Notes of this publication, the SIH data are subject to both sampling error and non-sampling error, including misreporting by respondents. Some wealth items collected in the survey require respondents to make estimates, such as the value of their owner occupied dwelling, for which they may have no precise information available.

The ASNA is compiled from a wide range of sources, with widely ranging reliability. Some estimates are based on sample surveys of households or businesses and some are based on collections that capture all the relevant transactions in the economy. Some are based on data collections that are only conducted occasionally, with estimates interpolated and extrapolated over time. In some cases, there may be a reliable estimate for an aggregate for the whole economy, but less reliable indicators or assumptions are used to disaggregate the economy wide estimate into individual sector estimates.

Data used in comparisons

Elsewhere in this publication, the SIH estimates of net worth are expressed in terms of mean value per household. To facilitate comparison with ASNA estimates, in this appendix they are presented as aggregate values for Australia. Multiplying the mean value per household for all households by the estimated number of in scope Australian households (7,735,800) provides the aggregate Australian value.

The SIH was conducted throughout 2003-04 and respondents were asked to report the value of their assets and liabilities at the time that they were surveyed. Therefore the wealth estimates are assumed to relate to the average level of household net worth during that year.

The ASNA estimates of net worth are those underlying the household balance sheet presented as table 51 in **Australian System of National Accounts, 2004-05** (cat. no. 5204.0), with the memorandum item for consumer durables being taken from table 16 of that publication. Balance sheet data in those tables are presented with respect to 30 June of each year, and therefore the estimates for 2002-03 and 2003-04 are averaged to improve comparability with the SIH estimates. In the detailed comparisons provided later in this appendix, more detailed component data used to compile the ASNA balance sheet aggregates are sometimes presented to maximise comparability with SIH items.

In 2003-04 the aggregate SIH value of household net worth was $3,618 billion and the aggregate ASNA value of household sector net worth was $3,239 billion.

A3.1 SIH ESTIMATES OF HOUSEHOLD NET WORTH

	Mean value per household	Aggregate value
	$'000	$b
Assets		
Value of accounts held with financial institutions	21.1	163
Value of shares (excl. own incorporated business)	18.2	141
Value of trusts	9.2	71
Value of debentures and bonds	0.9	7
Value of own incorporated business (net of liabilities)	22.8	177
Superannuation	63.5	491
Value of owner occupied dwelling	249.0	1 926
Value of other property	70.8	548
Value of own unincorporated business (net of liabilities)	15.6	121
Value of contents of dwelling	47.4	366
Value of vehicles	17.2	132
Value of assets nec	0.6	5
Total assets	537.1	4 155
Liabilities		
Principal outstanding on loans for owner occupied dwelling	40.0	309
Principal outstanding on other property loans	19.9	154
Debt outstanding on study loans	1.2	9
Amount owing on credit cards	1.9	14
Principal outstanding on loans for vehicle purchases (excl. business loans)	2.7	21
Principal outstanding on investment loans (excl. business and rental property loans)	2.4	18
Principal outstanding on loans for other purposes (excl. business and rental property loans)	1.5	11
Total liabilities	69.4	537
Net worth of households	467.6	3 618

A3.2 ASNA HOUSEHOLD BALANCE SHEET

	At 30 June 2003	At 30 June 2004	Average 2003-04
	$b	$b	$b
Assets			
Machinery and equipment	81	83	82
Non-dwelling construction	71	79	75
Livestock - fixed assets	15	15	15
Dwellings	849	944	896

	Intangible fixed assets	3	3	3
	Inventories	21	22	22
	Land	1 335	1 612	1 474
	Currency and deposits	318	351	335
	Securities other than shares	14	14	14
	Loans and placements	15	17	16
	Shares and other equity	233	265	249
	Insurance technical reserves	585	693	639
	Unfunded superannuation claims	139	142	145
	Other accounts receivable	23	20	22
	Total assets	3 703	4 260	3 981
Liabilities				
	Securities other than shares	10	13	12
	Loans and placements	669	782	726
	Other accounts payable	7	3	5
	Total liabilities	687	798	742
Net worth of household sector		3 016	3 462	3 239
Memorandum item from National Balance Sheet: Consumer durables		187	196	192

DIFFERENCES IN SCOPE

The SIH estimate of household net worth includes as assets the value of household contents and motor vehicles used for private purposes, whereas the ASNA estimate excludes them. However, the ASNA includes the value of consumer durables as a memorandum item outside the scope of its aggregate estimate of household net worth. The ASNA concept of consumer durables is essentially the same as the combined values of household contents and vehicles in the SIH, so the value of the ASNA memorandum item ($192b) has been added to the ASNA aggregate value of net worth of the household sector to improve comparability with the SIH aggregate.

The ASNA measure of net worth also includes some components which are not included in the scope of the SIH measure. Components which can be identified and deducted from the ASNA aggregate to improve comparability with the SIH aggregate include the technical reserves of general insurance corporations ($31b) and unfunded superannuation claims ($141b).

The technical reserves of general insurance corporations represent policy holders’ net equity in, or claims on, the reserves of general insurance corporations. This equates to prepayments of premiums and reserves held to cover outstanding claims. These funds are included in the ASNA value of net worth because they are collectively owned by the household sector. However, the value of the technical reserves is not attributed to individual households, since households only access the funds when they lodge a claim or receive a similar insurance payout. The technical reserves of general insurance corporations are therefore excluded from the household statistics collected in the SIH. The other insurance technical reserves included in the ASNA equate to the value of superannuation assets of households and the value of whole of life (termination) insurance and savings/endowment policies. Households normally receive annual statements providing the value of these policies, and they are therefore included in the scope of the SIH.

Unfunded superannuation claims reflect the liability of some governments to pay superannuation benefits to their employees for which they have not set aside funds. The benefits are often in the form of a pension that is determined on the basis of the employee's length of service and final salary at retirement, and they are funded from general government revenue at the time of payment. The value of this item is imputed on an actuarial basis for administrative purposes, and is an estimate of the amount of money that is required to pay the unfunded superannuation benefits to which the employees are entitled. As estimates of this liability are not available on an individual basis, they are excluded from the household statistics included in the SIH.

The net worth of non-profit institutions serving households (NPISHs), which include charities and religious organisations, are included in the ASNA definition of the household sector but are not in scope of the SIH. Only limited information is available about their net worth, and bank deposit and borrowing estimates are the only scope adjustments that can be made to the ASNA aggregates included here. The potential influence of other NPISH assets and liabilities is noted in some of the item comparisons that follow, although it is not expected that their impact would be large.

The net result of adjusting for the four scope differences described above is to raise the ASNA based estimate of net worth from $3,239 billion to $3,253 billion. This is 10% below the SIH estimate of $3,618 billion.

A3.3 ADJUSTMENT FOR SELECTED SCOPE DIFFERENCES IN MEASUREMENT OF NET WORTH

	Value
	$b

SIH item		
	Total household net worth	3 618
ASNA item		
	Net worth of household sector, as published in ASNA	3 239
	Plus:	
	Consumer durables	192
	Less:	
	Technical reserves of general insurance corporations	31
	Unfunded superannuation claims	141
	NPISH bank deposit assets	8
	Plus:	
	NPISH bank borrowings	2
	Net worth of household sector, adjusted for selected scope differences	3 253

There are other scope differences which cannot be as easily quantified. In particular, the SIH estimate is confined to the net worth of households excluding households in very remote and Indigenous Communities. It therefore omits the net worth of people who live in non-private dwellings such as hotels, boarding houses and institutions and those who live in very remote and Indigenous Communities. In total, about 2 per cent of the Australian population are out of scope of the SIH. The net worth of these people are included in the scope of the ASNA estimates.

COMPARISON OF ITEMS

The following paragraphs compare the items published in this publication with corresponding items published in the ASNA, or source data available for those items. The categorisations of data in the two data sets differ substantially, limiting the detailed comparisons that can be made.

For example, the SIH only collects the value of unincorporated businesses on a net basis, rather than collecting the value of business assets and liabilities by type. The ASNA, on the other hand, often does not distinguish between assets and liabilities relating to households' business activities and their non-business activities. Therefore there is difficulty in making precise comparisons between any asset or liability items that are likely to relate to both business and non-business activity.

Accounts held with financial institutions

The SIH item 'accounts held with financial institutions' is compared to the deposits component of the ASNA item currency and deposits. That component is also known as balances with authorised deposit-taking institutions excluding deposits belonging to NPISHs (NPISHs are outside the scope of the SIH estimates). The SIH item is only about half the value of the ASNA component, as shown in the following table:

A3.4 ACCOUNTS HELD WITH FINANCIAL INSTITUTIONS

	Value $b
SIH item	
Value of accounts held with financial institutions	163
ASNA item	
Currency and deposits	
Relevant component:	
Balances with authorised deposit-taking institutions, excluding NPISH deposits	314

There are three major factors which limit the comparability of the SIH and ASNA values for this item.

First, the ASNA component includes deposits in cash management trusts, estimated to be worth about $22 billion. In many cases, SIH respondents would be expected to report such deposits in the value of trusts data item, but the SIH does not differentiate between cash management trusts and other types of trusts. The total value of trusts in SIH is $71 billion. Adjusting ASNA for this difference in item classification reduces the difference in the two sources to $129 billion.

Second, the ASNA component includes deposits belonging to unincorporated businesses, whereas the SIH item excludes them. In the SIH they are one of the many unidentifiable components of the value of unincorporated business (net of liabilities). In SIH there are 1.3 million respondents reporting that they own an unincorporated business (a little lower than the 1.5 million people reporting such businesses for taxation purposes). While it is not known how much these businesses may hold in either current or investment accounts, the amounts would be

significant, perhaps running to tens of billions of dollars.

Third, the scope restriction in SIH (excluding 2% of the total population, and a higher proportion of the adult population) will contribute to the difference. Many of these people will be older persons living in non-private dwellings (about 7% of persons aged 65 and over). As can be seen from table 20 in this publication, households with reference person aged 65 and over have the highest deposit balances of any of the age groups. They account for about 40% of all deposits reported even though these households account for only 13% of the people living in private dwellings.

The three factors limiting the comparability between the aggregates are not considered likely to account for all of the difference between them. The ASNA estimate of the balances for all sectors with authorised deposit-taking institutions is considered reliable because it is based on regulatory information obtained from financial corporations, and the household sector is the sector owning the largest share of those deposits. It may also be that the household sector information in ASNA includes some balances that relate to small incorporated businesses. However, the ASNA estimate is considered to be relatively accurate, and it is concluded that SIH respondents have substantially under-reported this item.

Shares, including own incorporated business

The SIH asked households who owned their own incorporated businesses to report the value of the businesses net of liabilities. In principle, this should equate to the share value of those incorporated businesses. The SIH also collected the value of other shares held by households. The values of these two items were $177 billion and $141 billion respectively, summing to $318 billion.

The corresponding ASNA value is the sum of listed and unlisted shares owned by households, estimated at $242 billion. The values of listed and unlisted shares are both calculated as residuals in the ASNA, that is, the total value of each type of shares owned by all sectors is estimated and then the value of shares owned by sectors other than households are subtracted to derive the value of shares owned by the household sector.

A3.5 SHARES AND OWN INCORPORATED BUSINESS

				Value $b
SIH items				
	Value of shares (excl. own incorporated business)			141
	Value of own incorporated business (net of liabilities)			177
	Total value of shares			318
ASNA item				
	Shares and other equity			
		Relevant components:		
			Listed shares	155
			Unlisted shares	87
			Total shares	242

It could be assumed that listed companies would rarely be identified by SIH respondents as 'own incorporated business'. It could therefore be expected that the SIH value of shares (excluding own incorporated business) would equate to the ASNA value of listed shares plus some proportion of the ASNA value of unlisted shares. However, at $141 billion, the SIH estimate is below the ASNA value of $155 billion. This may partly reflect the ownership of some shares by unincorporated businesses or by trusts and therefore their exclusion from this SIH item but captured elsewhere in SIH and wealth measures.

There appears to be much less congruity between the SIH value of incorporated own business ($177 billion) and the ASNA value of unlisted shares ($87 billion). The difference in the measurement of investment in trusts is again likely to explain some of the difference between the two sources of data. First, the largest components of unlisted shares in the ASNA aggregate are equity in unlisted property and trusts. In many cases, SIH respondents would be expected to report such equity in the value of trusts data item, further increasing the gap between the two measures. But the total value of trusts in SIH is relatively small ($71 billion). It is therefore likely that some SIH respondents have incorrectly identified businesses operated under a trust structure as being operated as incorporated businesses and reported the equity as share assets in SIH. However, this is unlikely to fully explain the gap between the SIH value of own incorporated business and the ASNA value of unlisted shares. The ASNA data sources are recognised as being of relatively poor quality and may have led to underestimation of this item in the ASNA. SIH respondents may also have valued their incorporated business incorrectly.

Superannuation

Superannuation is the most important form of household financial asset recorded in the SIH, and survey respondents reported a balance of $491 billion held in superannuation funds. The corresponding ASNA items are the technical reserves of pension funds ($569 billion) and part of the $38 billion of the technical reserves of life insurance corporations. The ASNA estimate is considered reasonably reliable and therefore it appears that at least part of the difference between the two estimates reflects under-reporting in the SIH. Under-reporting will inevitably occur for households that are unaware of superannuation assets that they hold, and the Australian Taxation Office has reported unclaimed superannuation accounts of about $8 billion.

Some SIH respondents may also have mistakenly included the assets of their self-managed superannuation funds as trust assets. The SIH estimate of the value of trusts is $71 billion.

A3.6 SUPERANNUATION

	Value $b
SIH item	
Balance of accounts with superannuation funds	491
ASNA item	
Insurance technical reserves	
Relevant component:	
Pension funds	569

Property assets

For many households, their dwelling is their main asset. The SIH collects data about the value of their dwelling from owner occupier households, which account for about 70% of all households. The SIH also collects data about the value of other property owned by households, if that property is not considered by the respondent to be part of the assets of an unincorporated business.

The ASNA data set includes the value of dwellings and the value of land separately. The estimate of dwelling value is compiled by estimating the total number of dwellings and applying unit values to those dwellings, excluding the value of land. A proportion of the total value is then assigned to the household sector. The value of land is separately estimated, using information from state and territory valuer generals, with separate totals for rural, commercial and residential usage. The household sector is assigned 92% of total land value.

The two aggregate estimates appear very similar, with the SIH value at $2,474 billion and the ASNA value at $2,445 billion. But the SIH estimate should be somewhat lower than the ASNA estimate, since the latter includes substantial amounts for farm land and other property, which would mostly be included in the net value of unincorporated businesses when reported to the SIH. The unexpected similarity of the aggregate estimates reflects substantial differences in the average value of residential land and dwellings underlying these estimates. For its June 2004 estimate, the ASNA data incorporated an implicit average value of residential land and dwellings of $282,000 per dwelling, whereas the average value of owner occupied dwellings reported in the 2003-04 SIH was $355,000 per dwelling. This difference suggests a $0.5 billion difference in aggregate valuation levels for residential land and dwellings. The ASNA methodology for this item is currently under review.

A3.7 PROPERTY ASSETS

	Value $b
SIH	
Value of owner occupied dwelling	1 926
Value of other property	548
Total property assets	2 474
ASNA	
Dwellings	896
Non-dwelling construction	75
Land	1 474
Total land and construction	2 445

Own unincorporated business

The SIH asked respondents to provide a single net estimate of the value of their own unincorporated business. Therefore no information is available about the asset and liability composition of that part of household wealth. Due

to the different data sources and methodology used in compiling the ASNA estimates, the ASNA includes information about the individual assets and liabilities, but does not identify which of those relate to unincorporated business activities and which are used for other purposes. However, some forms of assets and liabilities are most likely to relate to business activities and those are included in the table below.

The net value of the selected ASNA assets and liabilities was $157 billion, which is broadly comparable to the SIH net value of own unincorporated business of $120 billion. As discussed above, the valuation for farm land held by unincorporated businesses and some property other than residential property, are included in the ASNA estimates for household sector 'total land and construction' whereas the net worth in these activities will be captured in the unincorporated business assets item in SIH. No further conclusions have been reached about these items.

A3.8 OWN UNINCORPORATED BUSINESS

	Value $b
SIH item	
Value of own unincorporated business (net of liabilities)	120
Selected ASNA items	
Assets	
Machinery and equipment	82
Non-dwelling construction	75
Livestock - fixed assets	15
Computer software	3
Inventories	22
Loans and placements	16
Other accounts receivable	22
Total selected assets	235
Liabilities	
Securities other than shares	12
Loans and placements	
Relevant component:	
Unincorporated business loans and placements	61
Other accounts payable	5
Total selected liabilities	78
Selected assets less selected liabilities	157

Contents of dwelling

The SIH value of contents of dwelling was $366 billion. The most closely related ASNA value is the non-vehicles component of the value of consumer durables, which is included as a memorandum item on the national balance sheet. This component equalled $92 billion, but the ASNA value of consumer durables excludes clothing, personal effects such as watches and jewellery, some recreational goods, books and electronic recordings, or jewellery, artworks and antiques that are held as a store of value. In total, these are likely to be worth more than the consumer durables that have been included in the ASNA item.

Part of the difference between the SIH and ASNA values will also reflect the different valuation bases underlying the estimates. In the SIH, respondent households were asked to provide the value of their dwelling contents insurance cover, when available. Otherwise, respondent households were asked to estimate the value of their dwelling contents. The ASNA estimates the aggregate value of the goods held by householders by using a personal inventory model methodology, which tracks purchases of new items by households and assigns them reducing values over their assumed life time. Therefore the ASNA methodology can also be expected to result in substantially lower estimates than those obtained by using dwelling contents insurance cover because the former attempts to estimate actual value while the latter is normally based on a 'new for old' valuation basis. The SIH estimate will also be influenced by any tendency for households to over-insure or under-insure the contents of their dwellings, while the ASNA estimate is dependent on the validity of the assumptions underlying the perpetual inventory methodology.

A3.9 CONTENTS OF DWELLING

	Value $b
SIH item	
Value of contents of dwelling	366
ASNA item	
Consumer durables	
Relevant component:	
Consumer durables excluding motor vehicles	92

Vehicles

The SIH value of vehicles was $132 billion, while the motor vehicles component of the ASNA memorandum item consumer durables was $100 billion.

The valuation bases underlying the estimates of vehicles from the two sources are more comparable than for dwelling contents described above. In the SIH, survey repondents are asked the value of their vehicles. In the ASNA, a perpetual inventory method, as described in the previous section, is used. In principle, the two approaches reflect the same valuation basis. However, while the SIH estimate excludes motor vehicles that are solely used within businesses owned by households, it does include vehicles that are used for both business and personal use. These are likely to have been excluded from the ASNA estimates. It is not known how much of the difference between the two estimates is attributable to the different treatment of vehicles used for business.

A3.10 VEHICLES

	Value $b
SIH item	
Value of vehicles	132
ASNA item	
Consumer durables	
Relevant component:	
Motor vehicles	100

Property loans

The property loans data as published from the SIH includes only a proportion of the principal outstanding on the loans where the loans are used both to finance the purchase or construction of, or alteration or addition to an owner occupied dwelling and to finance other activity. Loans for housing in the ASNA relate to loans originally for the purpose of housing. The SIH estimate has therefore been adjusted to obtain better comparability with the ASNA estimate, using relevant data collected in the SIH.

The SIH estimate (of $470 billion) is $87 billion, or 16%, below the ASNA estimate. The SIH estimate is broader than the ASNA estimate in so far as it includes loans for property that is not residential property, but is narrower in so far as it does not include loans for dwellings regarded by SIH respondents as the assets of their unincorporated businesses. However, the net effect of these two scope differences would seem unlikely to be the main reason for the 16% difference between the two estimates.

A3.11 PROPERTY LOANS

	Value $b
SIH items	
Principal outstanding on loans for owner occupied dwelling - item as published	309
Plus: principal outstanding on housing loans secured against property but used for other purposes	7
Adjusted principal outstanding on loans for owner occupied dwellings	316
Principal outstanding on other property loans	154
Total adjusted principal outstanding on property loans	470
ASNA item	
Loans and placements	
Relevant component:	
Loans for owner occupied housing, where type of housing can be determined	299
Loans for investment housing, where type of housing can be determined	146
Loans for housing, where type of housing cannot be determined	112
Total loans for housing	557

Other loans

The SIH estimate of loans other than for property or unincorporated business purposes is $73 billion. The corresponding component of the ASNA item loans and placements is about 60% higher, at $118 billion. It is not clear whether the large difference mainly reflects under-reporting in the SIH, or differences in scope between the SIH and ASNA components included here (eg. loans for the purpose of funding an unincorporated business may be captured in ASNA data for household sector loans but be reported in SIH indistinguishably as part of unincorporated business net assets), or difficulties in dividing reliable aggregate financial data into sector specific components in the ASNA. Some loans, such as those associated with vehicle finance leases, can be difficult to allocate between business purposes and personal purposes, for both reporting in SIH and ASNA compilation.

A3.12 OTHER LOANS

	Value $b
SIH items	
Debt outstanding on study loans	9
Amount owing on credit cards	14
Principal outstanding on loans for vehicle purchases (excl. business loans)	21
Principal outstanding on investment loans (excl. business and rental property loans)	18
Principal outstanding on loans for other purposes (excl. business and investment loans)	11
Total other liabilities	73
ASNA item	
Loans and placements	
Relevant components:	
HECS debt	10
Consumer loans	108
Total selected loans and placements	118

SUMMARY

The SIH 2003-04 estimate of total household net worth is $3,618 billion. The corresponding ASNA estimate is 10% lower, at $3,239 billion. There are some scope differences between the two estimates. The ASNA total can be adjusted by adding the ASNA memorandum item for consumer durables and deducting the ASNA components for the technical reserves of general insurance corporations and unfunded superannuation claims. However, this only narrows the gap slightly, raising the ASNA estimate to $3,253 billion, $365 billion lower than the SIH estimate. No adjustment has been made to reflect the exclusion by SIH of the 2% of the population who do not live in private dwellings or who live in very remote and Indigenous Communities, suggesting that the gap between the two aggregate estimates is somewhat higher than $0.4 billion. Only limited adjustments have been made for the inclusion by the ASNA of the net worth of charities, religious organisations and other non-profit institutions serving households (NPISHs).

The sources of data used in the two data sets provide somewhat different decompositions of the aggregate amounts, and detailed item level comparisons between the data sets are difficult. It is therefore only possible to draw broad conclusions about the differences in aggregate wealth provided by the two data sets.

Dwellings are the most important form of asset held by households, and as discussed above the SIH valuation for residential property is probably about $0.5 billion higher than the ASNA valuation. The ASNA methodology used for this aggregate is currently under review.

There is a large difference between the contents of dwelling item ($366 billion) from the SIH compared to the ASNA memorandum item consumer durables ($92 billion). The difference reflects the exclusion of a number of items including clothing, books, electronic recordings and other personal items from the ASNA measure and the inclusion of 'old for new' valuations in the SIH 9as measured from contents insurance). The SIH estimate for motor vehicles ($132 billion) is also somewhat higher than the ASNA value ($100 billion), which in part at least reflects the inclusion of vehicles used for both business and private purposes in the SIH estimate.

The SIH estimate for accounts held with financial institutions is $163 billion, which was only about half the ASNA estimate of balances with authorised deposit-taking institutions, excluding NPISH deposits ($314 billion). The ASNA estimate includes the value of balances in cash management trusts and the value of accounts held by unincorporated businesses, which SIH would have recorded elsewhere, while SIH excludes the deposits of people living in non-private dwellings. However, these differences are unlikely to account for all difference between the two aggregates, and it is likely that this item was under-reported in the SIH.

At $491 billion, the SIH estimate for balance of accounts with superannuation funds compares with the ASNA estimate of $569 billion for the item of pension funds' technical reserves. The ASNA also includes an unquantified superannuation amount within the $38 billion of technical reserves of life insurance corporations. While some of the SIH superannuation assets may have been reported as trust investments in the case of self-managed funds, it is likely that the SIH item was somewhat under-reported.

The $76 billion gap between the SIH and ASNA items for own incorporated business and for other shares is in part due to classification differences but also likely to reflect inconsistencies between households' valuation of their incorporated businesses and the ASNA methodology which uses sources of lower quality.

It is difficult to draw conclusions about the comparability of the other components of the SIH and ASNA aggregates. Overall it can be concluded that SIH respondents have under-reported some items and that for some items the ASNA data sources and methodology provide estimates that are below the corresponding valuations provided by households.

The Wealth and Expenditure of Low Income Households (Appendix)

APPENDIX 4 THE WEALTH AND EXPENDITURE OF LOW INCOME HOUSEHOLDS

INTRODUCTION

For most people, household income is the most important determinant of economic wellbeing. However, income is not the only economic resource available to households. Households that have higher levels of net worth, or wealth, can utilise their assets to support a higher standard of living.

For some time, the ABS has noted that households at the very lowest end of the income distribution have average expenditures higher than those households with somewhat higher average levels of income. Due to this observation, the ABS has adopted the practice of describing the characteristics of persons in the second and third deciles of the income distribution when describing the characteristics of low income people.

The 2003-04 SIH and HES were the first ABS surveys to collect comprehensive income, wealth and expenditure data from households. This appendix uses data from the HES to analyse the relationships between the income, wealth and expenditure of households in order to get a better understanding of the characteristics of households at the lowest end of the income distribution.

DATA USED

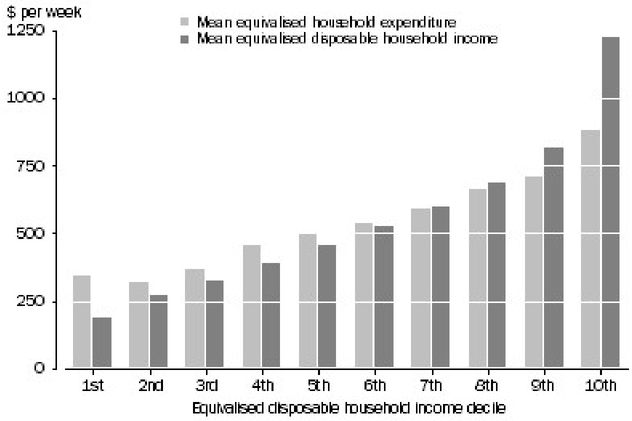
The estimates of income, net worth and expenditure used in this appendix have been adjusted for differences in household size and composition, that is, they are on an equivalised basis. The equivalisation of income is described in the Explanatory Notes. The same process is used in this appendix to equivalise net worth and expenditure in order to maximise the comparability of the three aggregates for the type of analysis being carried out.

Since expenditure data are only available from the HES, the mean values included in this appendix are all derived from the HES data. They are averages derived across all households. However, the income and net worth levels defining the boundaries of the income deciles and net worth quintiles have been derived using the larger data set available from the SIH. Furthermore, the deciles and quintiles are defined to contain equal numbers of persons rather than households. The income deciles are therefore consistent with the equivalised disposable household income quintiles and deciles presented in the main body of this publication and in **Household Income and Income Distribution, Australia, 2003-04** (cat. no. 6523.0).

EXPENDITURE AND INCOME

Graph A4.1 compares mean expenditure with mean income, with households ranked into deciles according to their income (with each decile containing equal numbers of persons, as explained above). As would be expected, it shows that expenditure levels are correlated to income levels. However, the mean expenditure of households in the lowest income decile is 8% higher than the mean expenditure of households in the second income decile, while the mean income of the lowest income decile is only 69% that of the households in the second decile.

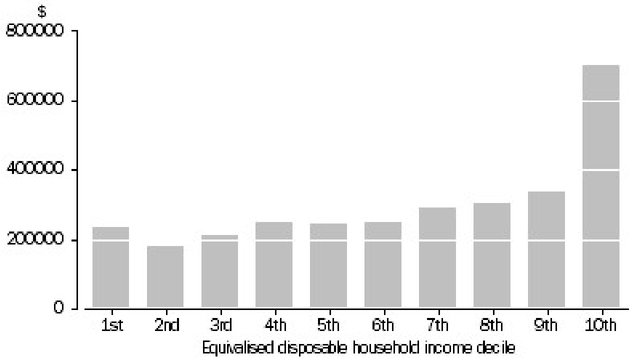
A4.1 EXPENDITURE AND INCOME, All households



EXPENDITURE AND WEALTH

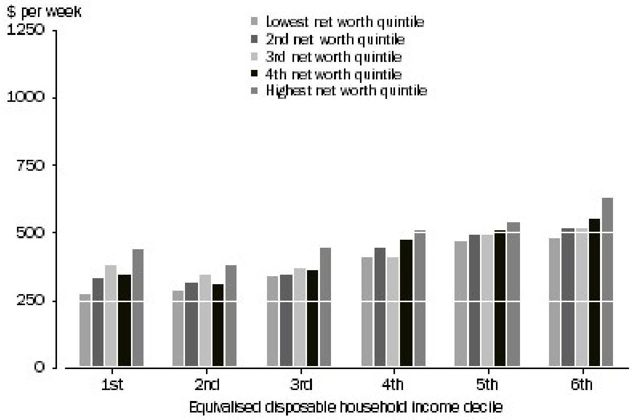
The size of the gap between expenditure and income for households in the lowest income decile, and the fact that their expenditure is higher than that of households in the second income decile, suggests that at least some households in the first decile have access to relatively more economic resources than indicated by their recorded income. Graph A4.2 shows that the average level of household net worth, or wealth, is somewhat correlated to the average level of income, but the correlation is not strong. Of particular interest, the households in the lowest income decile have higher net worth than the households in the second and third income deciles.

A4.2 MEAN EQUIVALISED HOUSEHOLD NET WORTH, All households



The influence of net worth on expenditure is shown in graph A4.3. Average expenditure is shown for households classified by net worth quintile and income decile. Within each income decile, households with higher net worth had higher expenditure. That relationship is strongest for households in the lowest income decile, where mean expenditure of households in the highest net worth quintile is 60% higher than that of households in the lowest net worth quintile. The relatively high mean expenditure of households in the lowest income decile can be partly explained by the relatively higher mean net worth of those households.

A4.3 MEAN EQUIVALISED HOUSEHOLD EXPENDITURE, Households in first six income deciles



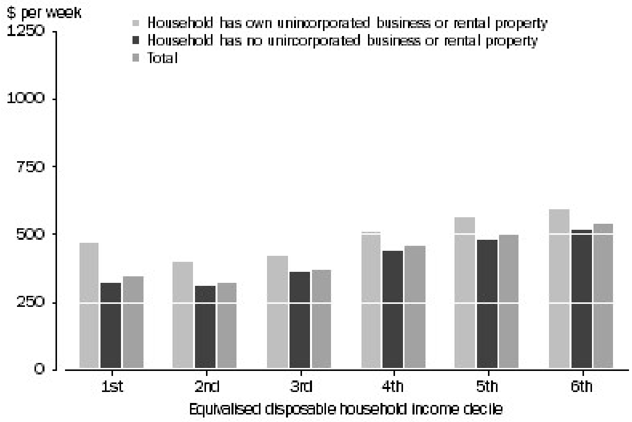
Graph A4.3 shows the expenditure of households classified by both income decile and net worth quintile. It can be seen that the mean expenditure of households falling in the lowest net worth quintile and the lowest income decile is lower than the mean expenditure of households in the lowest net worth quintile and the second income decile, as might be expected.

But contrary to expectations, that relationship does not hold for the other net worth quintiles. For example, the mean expenditure of households in the second net worth quintile and the lowest income decile is 7% higher than that of households in the same net worth quintile and the second income decile, even though mean net worth for those households in the lowest income decile is slightly lower (2%) than that for households in the second income decile, and mean income is 33% lower. A similar situation applies for households in the third and fourth net worth quintiles. For the highest net worth quintile, the situation is not so clear because the mean net worth of households in the lowest income decile and highest net worth quintile is somewhat higher than that of corresponding households in the second income decile (16%). Overall, this suggests that there are factors in addition to the relative levels of income and wealth that impact on the relative expenditure levels of households in the first and second income deciles.

OWN UNINCORPORATED BUSINESS AND RENTAL PROPERTY

Households may have access to economic resources other than income and wealth as reported in the household surveys. Some households that have own unincorporated business or rental property may have greater temporary cash flow than indicated by their recorded income level. This is because the value of their income is calculated net of depreciation expenses which do not necessarily have to be paid out of cash receipts in the short term. They may also be able to access credit more easily than other households through lines of credit established for business purposes. Households with an unincorporated business or rental property comprised 16% of households in the lowest income decile and 11% in the second income decile. Graph A4.4 shows that these households did have substantially higher average expenditure than other households in the same income decile. But the graph also shows that the other households in the lowest income decile still had higher average expenditure than the corresponding households in the second income decile.

A4.4 MEAN EQUIVALISED HOUSEHOLD EXPENDITURE, Households in first six income deciles



HOUSEHOLDS WITHOUT OWN UNINCORPORATED BUSINESS OR RENTAL PROPERTY

Table A4.5 provides details about the characteristics of households in the lowest two income deciles, for those households without own unincorporated business or rental property, cross-classified according to their level of net worth. Mean expenditure by households in the lowest income decile and lowest net worth quintile ($263 per week) was 7% lower than that for the corresponding households in the second income decile ($282). However, for the second net worth quintile, mean expenditure by households in the lowest income decile was 5% higher than that of households in the second income decile ($311 compared to $295), even though average net worth within this net worth quintile was slightly lower for the first income decile than for the second income decile. For the third to fifth net worth quintiles, mean expenditure was 11% higher in the lowest income decile compared to the second income decile ($366 compared to $331), but in this case average net worth of households in the third to fifth net worth quintiles was also higher ($395,000 compared to $300,000, or 32% higher).

The lowest net worth quintile contained 335,000, or 40%, of the households in the lowest income decile, and 295,000, or 37%, of those in the second decile. In both income deciles, 90% of the households in the lowest net worth quintile relied on government pensions and allowances as their principal source of income, and about 90%

also rented their dwellings. Lone persons comprised 56% of the households in the lowest net worth quintile within the lowest income decile, with 15 to 64 year olds more numerous than those aged 65 years and above. Lone persons accounted for a smaller proportion of the households in the lowest wealth quintile of the second income decile (32%) but were still the largest category, with equal numbers of 15 to 64 year olds and those aged 65 years and above. The next largest category was one parent families with dependent children (29%).

Government pensions and allowances also was the principal source of income for most households with higher levels of wealth and falling into the lowest and second income deciles. Other income, such as investment income, was the principal source for 16% of households in the third to fifth net worth quintiles of the lowest income decile.

There was a marked difference in home ownership between the lowest net worth quintile and the higher quintiles, with over 95% of households owning their own home in the third to fifth net worth quintiles in both the lowest and second income deciles. Of these, relatively few had a mortgage. Lone persons were the largest category of households in the higher net worth quintiles of the lowest income decile, with lone persons aged 65 years and over accounting for 42% of those in the third to fifth quintiles. Older couples were the largest category in the second income decile.

Of the data presented here, the only clear potential contributor to households in the lowest income decile having higher expenditure than those in the second income decile is the higher mean net worth of the households in the lowest income decile.

There are likely to be a number of differences between the households in the lowest and second income deciles that are not explicit in the available data but may contribute to different expenditure patterns. Of particular interest are those households that appear to have income below levels generally available through the safety net of the Australian social security system of Centrelink or similar income support payments, even though they do not have too many assets to qualify for these payments. Some households will only have the low income for a relatively short period of time and therefore their members may not be eligible for income support payments, or choose not to apply for them. Such households are likely to be more willing to utilise their savings to maintain relatively high levels of expenditure.

Some people of working age may for a variety of reasons not meet the mutual obligation requirements required to qualify for income support. They may have a preference to stay out of the labour force for a period of time, either while between jobs or until reaching retirement age. Given the longer periods of time involved, these people may be less able to consistently utilise savings to maintain relatively high levels of expenditure.

In addition, some survey respondents are likely to unintentionally or intentionally report less than their full income in the survey, but it is not clear that under-reporting of income would be greater than the under-reporting of wealth or expenditure. Even if there is a greater tendency by respondents to under-report income, it is not clear that inconsistencies in reporting income, expenditure and wealth would be greater for households in the bottom income decile than in the higher income deciles. Therefore it is not considered that the under-reporting of income is likely to have made a major contribution to households in the lowest income decile having higher average expenditure than those in the second income decile.

A4.5 CHARACTERISTICS OF HOUSEHOLDS IN LOWEST AND SECOND INCOME DECILES - HOUSEHOLDS WITHOUT OWN UNINCORPORATED BUSINESS OR RENTAL PROPERTY

		Lowest income decile				Second income decile			
		Net worth quintile 1	Net worth quintile 2	Net worth quintile 3-5	Total	Net worth quintile 1	Net worth quintile 2	Net worth quintile 3-5	Total
Mean equivalised disposable income per week	$	202	191	192	196	271	273	271	271
Mean equivalised net worth	$	15 000	85 000	395 000	209 000	14 000	88 000	300 000	162 000
Mean equivalised expenditure per week	$	263	311	366	319	282	295	331	308
Proportion of households with characteristic									
Principal source of household income									
Wages and salaries	%	*4	*11	6	6	10	*14	9	10
Government pensions and allowances	%	90	84	78	83	90	85	88	88
Other income	%	*7	*6	16	11	-	**1	*3	*2
Total	%	100	100	100	100	100	100	100	100
Tenure type									
Owner without a mortgage	%	*2	36	85	46	**1	40	89	49

Owner with a mortgage	%	*2	23	11	9	*3	33	9	10
Renter	%	89	29	*2	40	93	18	*2	38
Other tenure type	%	7	*11	*2	5	*3	*10	**1	*3
Total	%	100	100	100	100	100	100	100	100
Family composition of household									
One family households									
One parent family with dependent children	%	16	*6	*1	8	29	20	**2	15
Couple only family, reference person aged									
15-64	%	*4	*7	11	8	*8	*10	16	12
65 and over	%	*3	*6	9	6	8	28	39	26
Other one family households	%	15	*21	8	12	15	25	11	14
Lone person aged									
15-64	%	36	34	26	31	16	*5	*6	9
65 and over	%	20	21	42	31	16	*9	23	18
Other households	%	*6	**5	*2	4	*8	**2	*3	5
Total	%	100	100	100	100	100	100	100	100
Estimated number in population									
Households	'000	334.6	94.0	410.6	839.2	295.2	117.1	379.1	791.4
	%	40	11	49	100	37	15	48	100
Persons	'000	659.6	192.6	615.0	1 467.3	731.1	305.4	731.9	1 768.4
	%	45	13	42	100	41	17	41	100

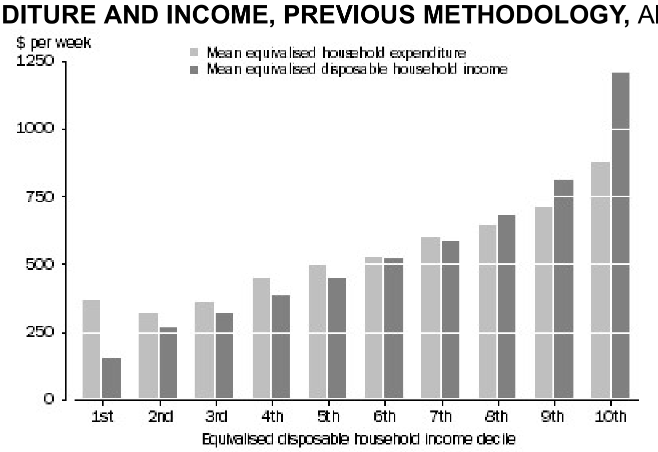
* estimate has a relative standard error of 25% to 50% and should be used with caution
** estimate has a relative standard error greater than 50% and is considered too unreliable for general use
- nil or rounded to zero (including null cells)

EARLIER SURVEYS

The 2003-04 HES and SIH introduced an improved methodology for collecting and estimating the current income from business and investments, resulting in a smaller number of households with very low income estimates. In previous SIH cycles, current business and investment income was estimated using prior year income as the proxy for current income. This method resulted in, for example, startup business losses being extrapolated forward. The 2003-04 survey collected sufficient information to enable estimates for 2003-04 to be made on a basis largely consistent with the methodology used prior to 2003-04.

Graph A4.6 presents estimates of mean expenditure and mean income based on income estimates derived using the earlier methodology, and is likely to better describe the situation underlying estimates published for previous SIHs. On this basis, the mean expenditure of households in the lowest income decile is about equal to the expenditure of households in the third income decile. It is also 15% higher than the mean expenditure of households in the second income decile, while the mean income of the lowest income decile is only 58% that of the households in the second decile. In other words, the gap between expenditure and income for the lowest income decile was greater under the earlier methodology than under the current methodology. It can therefore be concluded that, for HESs and SIHs conducted prior to 2003-04, the income of many households in the lowest income decile was even less representative of their access to economic resources than is the case for the published estimates for 2003-04.

A4.6 EXPENDITURE AND INCOME, PREVIOUS METHODOLOGY, All households



CONCLUSION

Average expenditure by households in the lowest income decile is higher than the average expenditure by households in the second income decile, suggesting that these households have a disproportionately greater access to economic resources other than income as measured in the HES and SIH. Improvements in collection and estimation methodology in the 2003-04 surveys increased the estimates of average levels of business and investment income, but the gap between the mean expenditure and mean income of households in the lowest income decile was still markedly greater than the gap for the second income decile.

For a given level of average income, households with higher levels of average wealth have higher levels of average expenditure. Households within the lowest income decile have higher average wealth than households in the second income decile, and this at least partly explains the higher expenditure of the lowest income decile. The higher expenditure is also partly explained by the greater proportion of households in the lowest income decile having own unincorporated business or rental property. The gap between expenditure and income was markedly greater for these households, suggesting that they have access to other economic resources.

It is not clear that these reasons fully explain the higher average expenditure of households in the lowest income decile, but it is not considered that misreporting of income is a major contributing factor.

The data presented in this appendix shows that average expenditure is higher for households in the lowest income decile than those in the second income decile. It is therefore concluded that the average standard of living of these households is likely to be higher than those of households in the second income decile. However, it needs to be emphasised that nearly half the people living in households in the lowest income decile and without own unincorporated business or rental property are also in the lowest net worth quintile and have mean expenditure lower than the corresponding households in the second income decile. These people are likely to have lower average standards of living than people in households in the second income decile. It also needs to be emphasised that some households with low income that have their own unincorporated business or rental property will not have access to other economic resources and will also have low standards of living.

Nearly all (90%) households falling into both the lowest net worth quintiles and the lowest income quintile relied on government pensions and allowances as their principal source of income and about 90% also rented their dwellings. Lone person households were the most common households in this population, with over half being lone persons under 65 years of age. The next largest category was one parent families with dependent children.